



Vulnerability Of Micro Insurance Penetration Of Malappuram District In Kerala State.

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ABSTRACT

India is the fastest growing developing economy in the world. The density of the population is very high, especially in the rural population. Vulnerable means there is a range of risks and crises that are directly affecting the sources of income and productive assets of these segments. The study majorly aimed at identifying risks of penetration and access to vulnerability of micro-insurance products in rural households in Malappuram district, Kerala. Sources of getting information for survey methods for 50 self-help groups. Each group has an average of 4 members. The total number of members who responded is 200.

In spite of studies identifying the multifariousness of risks and crises which shows that there is clear demand for providing rural households for insurance services which help them better manage the risk, both Ex-post and Ex-ante use the historical returns to predict the risk associated with an investment in the future and also refers to future events based on forecasts, such as the potential yield in micro insurance products.

The main aim of presenting paper is to find out how causes the Vulnerability of micro insurance penetration in uncovered area. However, a number of statistical techniques such as ANOVA and Friedman's test, Descriptive statistics for finding the vulnerability.

Keywords: Insurance Penetration, Vulnerability, Micro Insurance, Low Income etc.

Introduction:

Micro-insurance products are specifically designed to serve the needs of low-income individuals and households. It helps to financial protection against specific risks that are prevalent among this rural demographic. Micro insurance typically covers risks such as health emergencies, crop failures, natural disasters, disability, and death.

Micro insurance plays a life and death role in promoting financial inclusion by providing a safety net against unexpected events that could otherwise push vulnerable households further into poverty. It helps mitigate risks and allows individuals to recover from setbacks more effectively.

In India, insurance coverage for a large segment of the population that was previously underserved by traditional insurance only. Apart from that, various government initiatives and partnerships with microfinance institutions have helped to raise micro-insurance coverage across the country. However, challenges such as awareness, affordability, and operational efficiency need to be addressed to maximize the impact of micro-insurance in improving financial resilience among low-income communities. But still Micro insurance in India faces several vulnerabilities due to its unique characteristics and the challenges inherent in serving low-income and rural populations

Key Challenges faced by the Microinsurance sector in India

Lack of knowledge & awareness

Lack of overall financial literacy is a significant challenge that affects the perception of insurance products and the trust they enjoy. Insurance is not considered an essential mechanism for long-term risk protection. Awareness needs to be created about the role of insurance in offering protection against unforeseen events.

There is also a need to build trust and improve financial literacy among rural and lower-income group populations to improve penetration.

Trust

Insurance is vulnerable to miss-selling, fraud, and a lot of times trust issues crops up. There is a need to build trust amongst low-income group customers.

Inaccessibility & claim settlement issues

Inaccessibility could be due to factors such as complicated documentation, affordability, or lack of resources. Many individuals in this target group do not possess the documentation required for insurance issuance and claims. Mismatch in name or other data such as age can result in claim settlement issues and affect the service standards.

High rate of policy lapses

Failure to pay the premium on time might result in Policy lapses. This not only leads to loss of risk coverage but also a loss of the amount paid previously as a premium.

Absence of need-based products

The insurance need for low-income groups especially in the rural areas is vastly different from that of urban areas. There is a dearth of need-based, affordable and customised products for the microinsurance market. For this segment, customized product offerings including crop protection, farming machinery, property, etc are required.

Affordability and cost of living:

Micro insurance products are designed to be affordable for low-income households. However, the cost of delivering these products to remote and underserved areas can be high, affecting their sustainability

Operational Challenges:

Insurers often face operational challenges in reaching remote areas, processing claims efficiently, and providing customer support to policyholders who may have limited literacy or digital access.

Review of Literature:

Tom, Tinsy Rose; Selvam, V. (2010) Insurance companies providing Micro Insurance to claim that their work is fostering rural growth, there must be proper development of products that respond to the need of the clients and in a way that is commercially viable. They should have proper delivery channels. There is a need for market education which will help to demystify micro insurance so that when agents come, people are willing to engage with them. Many studies have attempted to study the phenomenon of health micro insurance, but none tried to study the rural Self Help Groups (SHCs) life micro insurance, therefore this study gains its significance.

Tome T.R. and Selvam V (2012) The study evidenced that majority of the low-income members were illiterate and as such there was lack of understanding among them regarding various products and benefits offered under the micro insurance by insurance companies. There was less contribution from Government side for providing services to the rural poor. There was no proper mechanism or adequate infrastructure to systematically reach the informal group.

Varshini A.V and Suresh B.H (2013) The study found that the awareness level about micro insurance was the main reason for the low penetration of micro insurance. Majority of the respondents were willing to buy micro insurance policy if properly guided. Life micro insurance was given priority by the respondents than any other types of micro insurance available. Annual premium payment mode was mostly preferred by the respondents who wanted to buy micro insurance policy. Majority of the respondents chose to avail micro insurance policy directly from insurance company rather than buying through agents.

Saha S, Kermode M and Annear P.L. (2015) in their research work studied women's participation in microfinance-based self-help groups (SHGs) and the resultant social capital may provide a basis to address the gap in health attainment for poor women and their children. A mixed method study was conducted among 34 villages selected from Gujarat and Karnataka. The study evidenced that compared to a matched comparison group, women in SHGs that received the health program had higher odds of delivering their babies in an institution, feeding colostrum to their newborn, and having a toilet at home. The study concluded that health programs implemented with micro-finance based SHGs was associated with improved health behaviours. With broad population coverage of SHGs and the social capital produced by their activities, microfinance-based SHGs may provide an avenue for addressing the health needs of poor women.

Shaji A.S and Neelamegam R (2016) made a study on "Micro Insurance opportunity for Growth. A Study with Reference to Kollam District, Kerala". The study was made with primary data, which were collected from 150 respondents from Kollam districts of Kerala state. Relevant statistical tool such as percentage analysis, ANOVA and Friedman's test, were used for the analysis and interpretation of survey

data. The study found significant difference in the ranks provided by investors to the five aspects involved in micro insurance plan. There was significant difference in factors investors decision making before micro insurance investment with their years of experience in insurance.

Tassew A.W. and Hailu A.A. (2017) in their study investigated major prospects and challenges of micro insurance investment as per the current socio- economic and political conditions of Bench Maji Zone. The study adopted a mixed research approach. The primary data were collected from 90 respondents through questionnaires and 15 top management through in-depth-interview. Descriptive statistics and logistic regression analysis were used to analyse the survey result. The results of study indicated that education level and insurable assets were statistically significant prospect. Transaction costs, lack of delivery channel, availability of infrastructure had statistically significant challenges. Monthly income improvement and financial illiteracy were not statistically significant prospect and challenges of micro insurance investment in Bench Maji Zone respectively.

Devarakonda S (2018). The study identified the problems and issues relating to microinsurance such as product design, pricing, claim settlements. It also studied the gender specific demand for micro insurance products in India. The study attempted to suggest the ways in which microinsurance services could become more inclusive to enhance risk management capability of the poor. The study attempted to indicate that access to microinsurance by the poor and disadvantaged population could contribute significantly to the achievement of the development goals of the country, particularly the goals of eradicating extreme poverty and hunger, promoting gender equality and empowering women.

Mohamad A.H. and Mukthar S (2019) studied the prospects of micro-insurance in the rural areas of Kebbi State of Nigeria. The study evidenced that income level, educational attainment and property ownership as well as availability of infrastructural facilities in the rural areas, the prospects of Micro-Insurance in the rural areas of Nigeria. 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 and the study also suggested that serious mobilization and sensitization should precede the introduction of Micro-Insurance.

Devika and Agarwal A (2020) studied the issues and challenges of micro insurance in India. The study was based on secondary data and primary data, primary data were collected through observations, interview and questionnaire with the unorganized workers in urban slums and BPL families in the rural areas. The study concluded that micro insurance could definitely prove to be one of the major tools of risk aversion and mitigation for the poor and might played a vital role in financial inclusion. The study suggested that a customized product design should be made catering to the needs of the target group. Immediate delivery of benefits and settlement of claims should be done. The policy design should be "SUAVE", i.e. Simple, Understood easily, Accessible, valuable and efficient.

Renukadevi M and Hema GA. (2021) The study aimed to identify and evaluate socio-economic determinants of Micro insurance, in Coimbatore city and in order to identify the problems and issues relating to micro insurance such as product design, pricing, claim settlements. This study suggested that, lack of understanding, awareness, extension services and betterment of insurance market that grossly affected wider use of insurance products and its uptake, uniquely, among low-income groups. This study concluded that taking micro insurance policies was very helpful to the policyholders to run their family, to make startups, and also micro insurance become emerging trends between the policyholders

OBJECTIVES:

- To study about the vulnerability of Micro Insurance products penetration among self-help groups in Kerala, Malappuram District.
- To analyse the operations of Micro Insurance companies in Kerala
- To analyse the various challenges of a Micro insurance products penetration among self-help groups.

Hypothesis of the Study:

H₀: Vulnerability does not be contained in micro policies, hence it's suitable for all rural segments.

H₁: Micro insurance Products have been containing vulnerability, so it does not suitable matches for all kinds of people in rural areas.

Analysis and Interpretation

Item Statistics

Particulars	Mean	Std. Deviation	N
Micro Insurance policy not help me	1.7850	.96093	200
children education in future	4.3150	.78668	200
Marriage expenses	3.3350	1.37559	200
financial stress reduces	2.0300	1.17730	200
getting quality medical facilities	4.3050	.78425	200

financial security in lower expenses	2.7150	.89878	200
get medical facility	1.8350	1.00139	200
prevention of health checkups	1.7150	.68272	200
Financial Guarantee	1.6450	.70102	200

Throughout the survey have conducted the vulnerability of micro insurance penetration in Malappuram district, Kerala. For choosing the questionnaires among vulnerabilities and would measure the statistical tools

ANOVA with Friedman's Test resulting

- Micro Insurance policy not help me would appear in the mean value is 1.7850 and for standard deviation is .96093
- children education in future would appear in the mean value is 4.3150 and for standard deviation is .78668
- Marriage expenses would appear in the mean value is 3.3350 and for standard deviation is 1.37559
- financial stress reduces would appear in the mean value is 2.0300 and for standard deviation is 1.17730
- getting quality medical facilities would appear in the mean value is 4.3050 and for standard deviation is .78425
- financial security in lower expenses would appear in the mean value is 2.7150 and for standard deviation is .89878
- get medical facility would appear in the mean value is 1.8350 and for standard deviation is 1.00139
- prevention of health checkups would appear in the mean value is 1.7150 and for standard deviation is .68272
- Financial Guarantee would appear in the mean value is 1.6450 and for standard deviation is .70102

ANOVA with Friedman's Test

	Sum of Squares	df	Mean Square	Friedman's Chi-Square	Sig
Between People	1300.613	199	6.536	1365.469	.000
Between Items	1932.518 ^a	8	241.565		
Within People	331.927	1592	.208		
Residual	2264.444	1600	1.415		
Total	3565.058	1799	1.982		

Grand Mean = 2.6311

a. Kendall's coefficient of concordance W = .542.

For using the statistical techniques **ANOVA with Friedman's Test** such as getting on level of significance on .005, compute the table value is less than the actual value, hence we considered to reject the null hypothesis and accept the alternative hypothesis.

Alternative hypothesis is Micro insurance Products have been containing vulnerability, so it does not suitable matches for all kinds of people in rural areas.

Model

Model Name	MOD_1
Series or Sequence	1 children education in future 2 Family secure 3 Marriage expenses 4 financial stress reduces 5 getting quality medical facilities 6 financial security in lower expenses
Transformation	None
Non-Seasonal Differencing	0
Seasonal Differencing	0
Length of Seasonal Period	No periodicity
Standardization	Not applied
Distribution	Type Normal Location estimated Scale estimated
Fractional Rank Estimation Method	Tukey's

Rank Assigned to Ties	Mean rank of tied values
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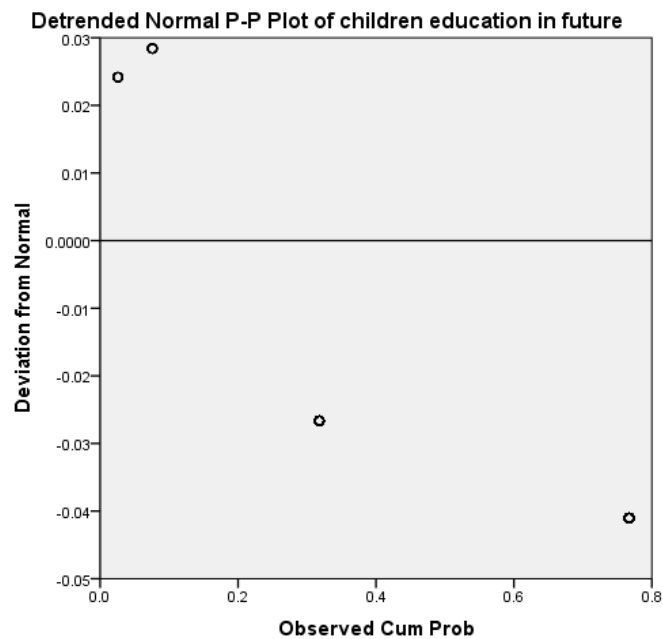
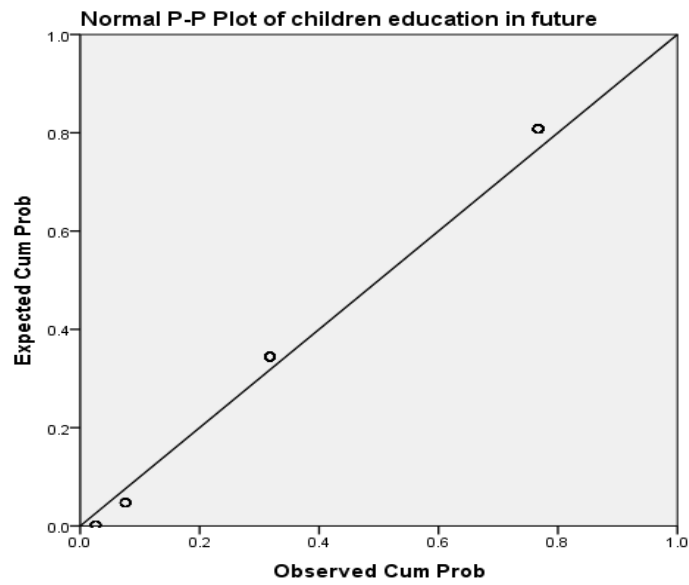
Applying the model specifications from MOD_1

Estimated Distribution Parameters

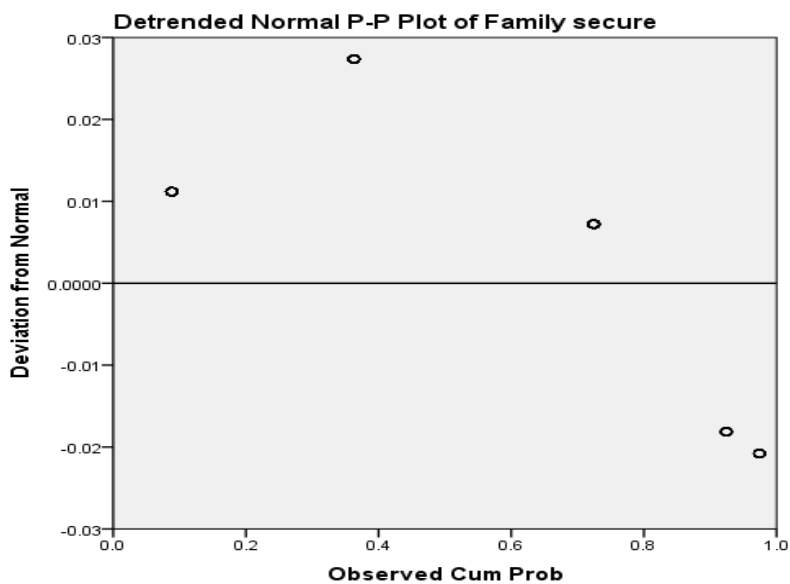
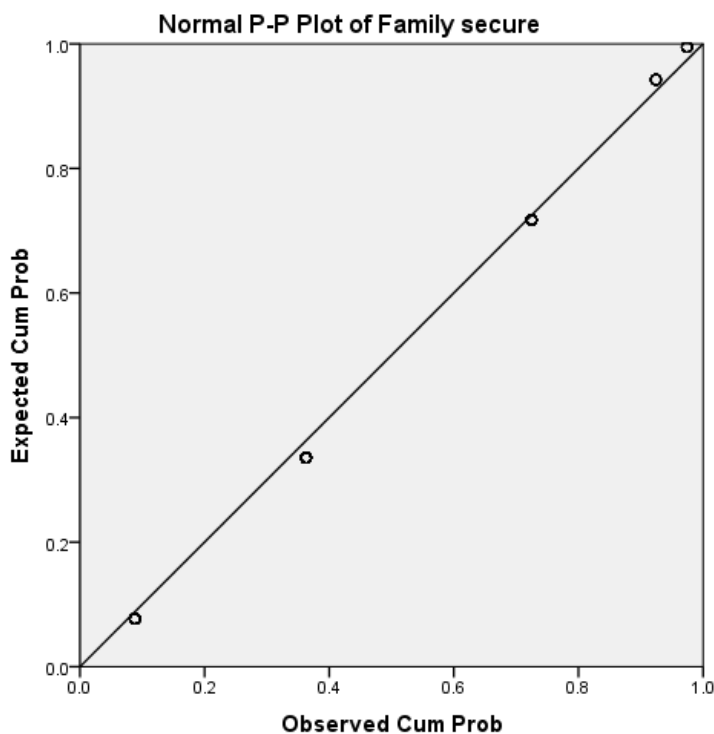
		children education in future	Family secure	Marriage expenses	financial stress reduces	Getting quality medical facilities	Financial security in lower expenses
Normal Distribution	Location	4.3150	2.4250	3.3350	2.0300	4.3050	2.7150
	Scale	.78668	.99969	1.37559	1.17730	.78425	.89878

The cases are unweighted.

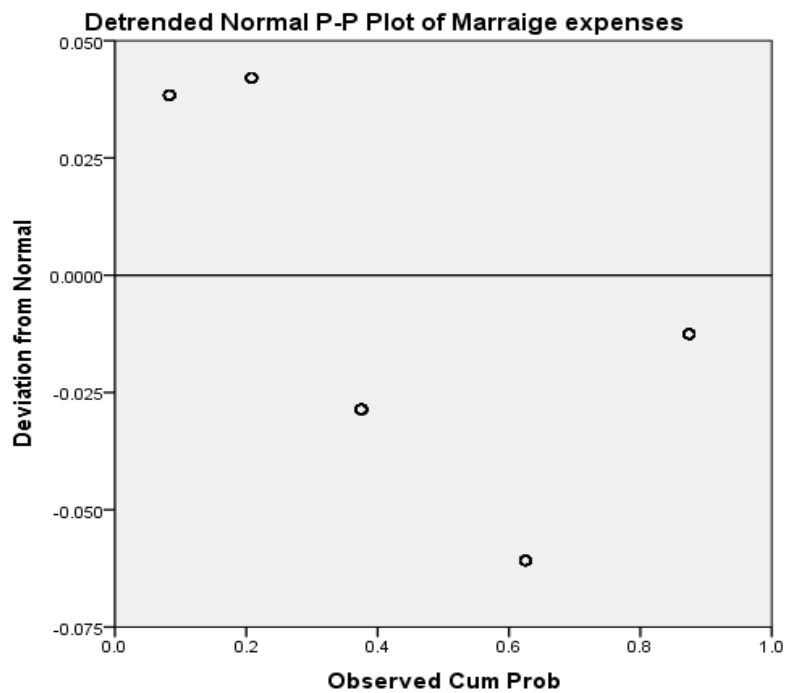
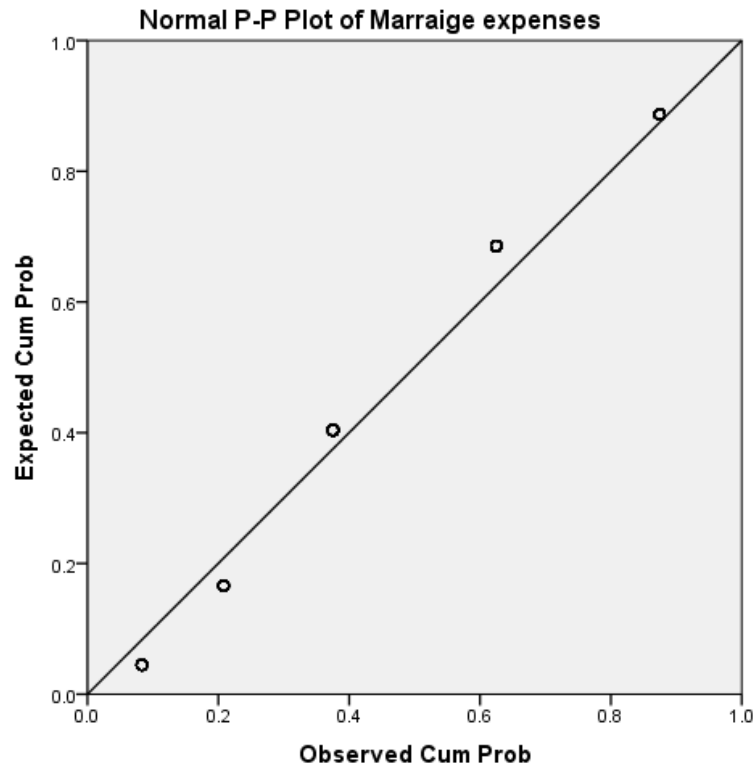
Children's education in Future:



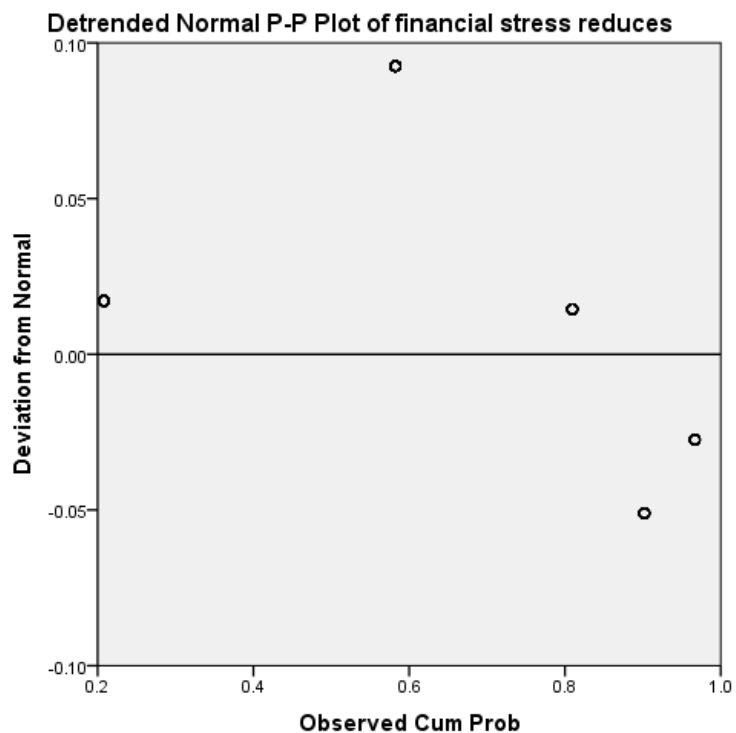
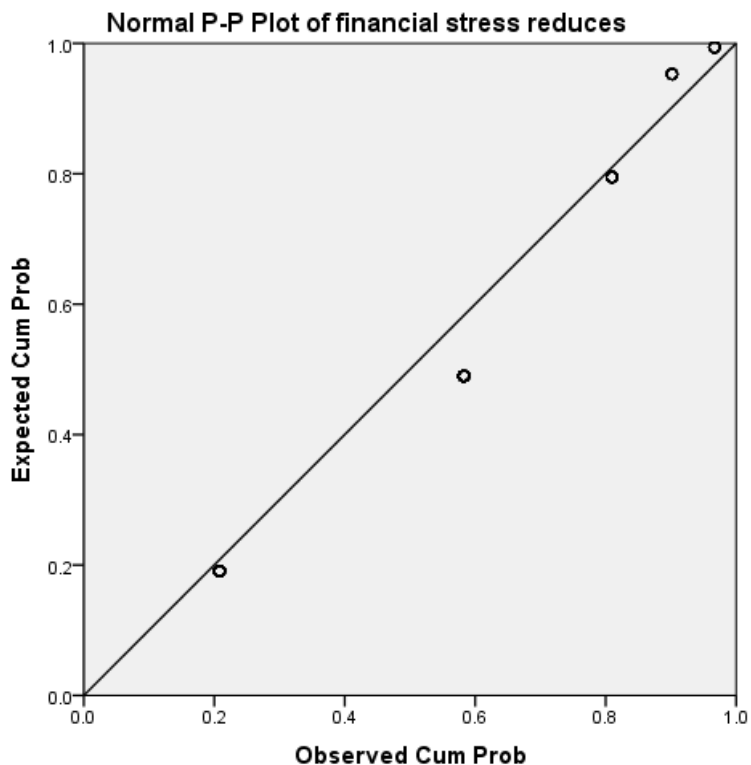
The observed cum prob diagram shows that the Detrended normal P-P plot of children education in the future, Benefits of micro insurance policy range from below the point of index is -0.02 and -0.04. This means micro-insurance products will not be supported for their children's education in the future, because they cover only risk in their premiums.



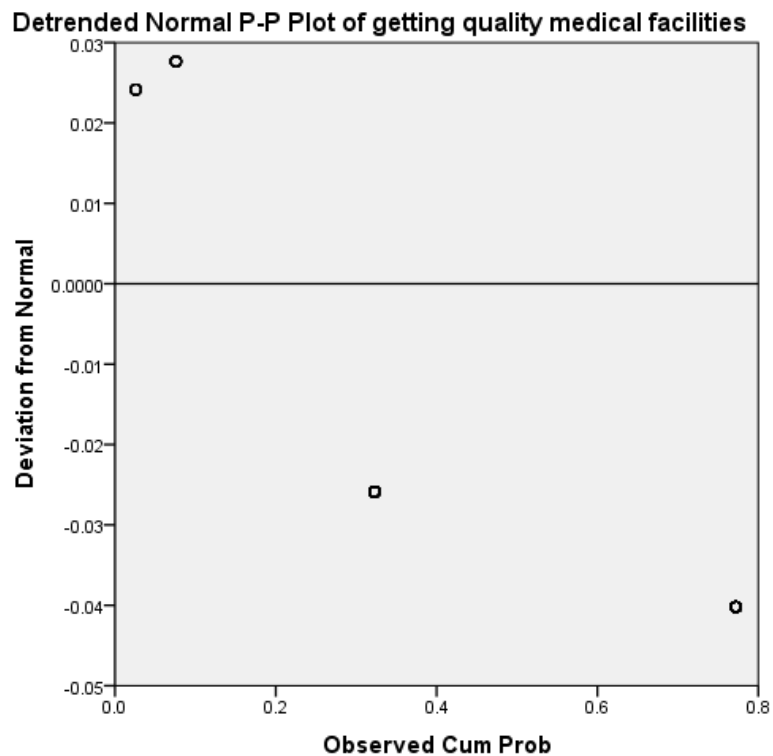
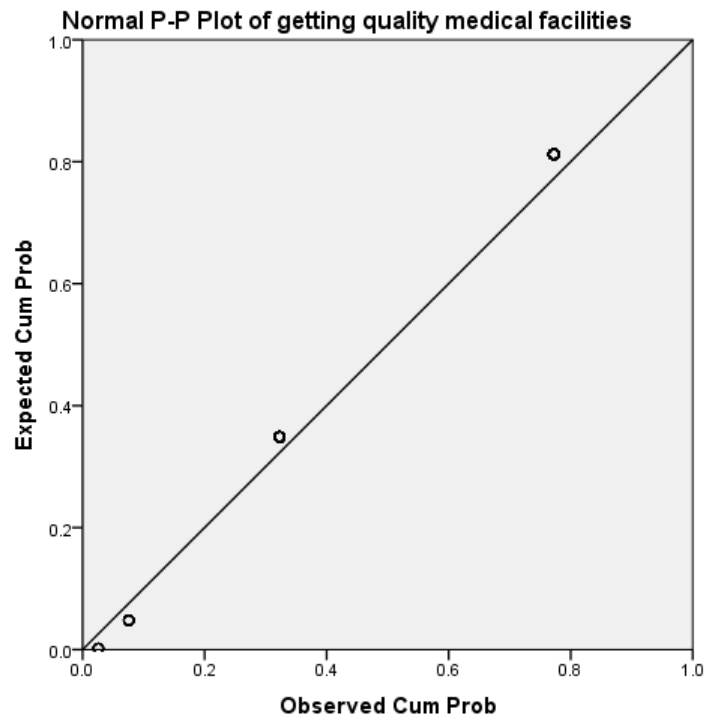
The observed cum prob diagram shows that the Detrended normal P-P plot of family security. Benefits of the micro-insurance policy range from below and above the point of the index are 0.02 and 0.04. This means micro-insurance products only cover risk, especially for people below the poverty line.



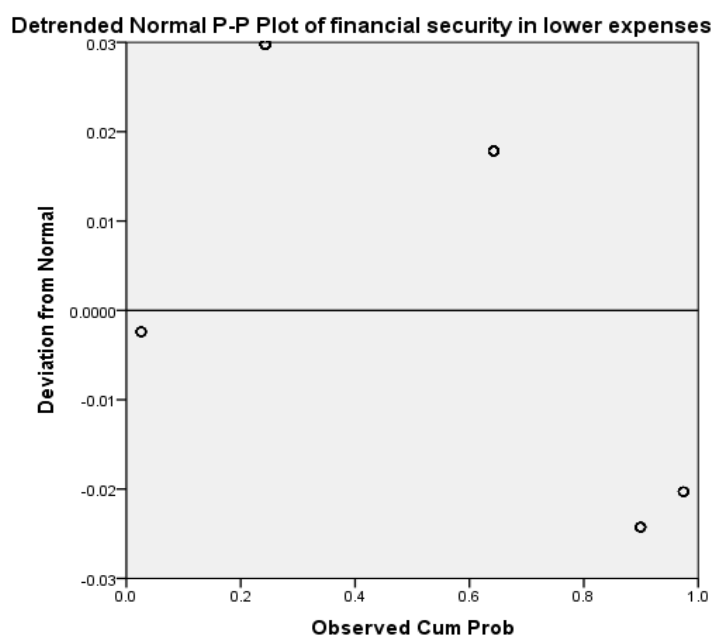
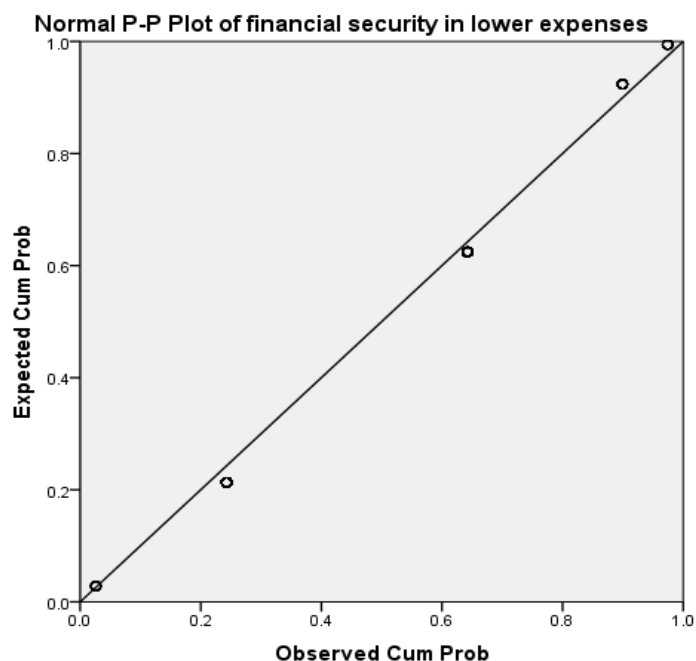
The observed cum prob diagram shows that the Detrended normal P-P plot of marriage expenses. Benefits of the micro-insurance policy range from below the point of the index are -0.025 and 0.060. This means micro-insurance products only cover risk, especially for people below the poverty line. After maturity, these policies do not cope with covering the marriage expenses of their dependents.



The observed cum prob diagram shows that the Detrended normal P-P plot of financial stress reduces. Benefits of the micro-insurance policy range from below the point of the index are -0.02 and -0.05. This means micro-insurance products only cover risk, especially for people below the poverty line. But these policy maturity amounts do not help to cover the financial stress on their lives.



The observed cum prob diagram shows that the Detrended normal P-P plot for getting quality medical facilities. Benefits of the micro-insurance policy range from below the point of the index are -0.025 and -0.04. This means micro-insurance products only cover accidental risk. At the same time, micro insurance is not enough to cover the high cost of medical treatment.



The observed cum prob diagram shows that the Detrended normal P-P plot for financial security for lowering expenses. Benefits of the micro-insurance policy range from below the point of the index are -0.02 and -0.025 and above the point of the index is 0.02 and 0.03. This means micro-insurance products only cover accidental risk. At the same time, micro insurance is not enough to cover the high cost of medical treatment and also does not support financial security in lower expenses.

Outcome of the study:

The above outcome of the study has been noticed that the vulnerability of micro-insurance penetration in Malappuram district for Kerala in, many people in their area in micro-insurance have not been showing interest in their lives. Their major reason is that almost all of their rural people have agricultural sources of income and business income. Apart from people not living below their poverty line, people are just above their poverty, but beyond necessarily needed for social security benefits.

Throughout the study, we conducted surveys in the Malappuram district of Kerala. People have abhorred choosing micro-insurance products. The major reason is that insurance products have not covered the high cost of medical treatments, family crises, children's higher education, marriage expenses etc., just commonly covering the policy for accidental benefits.

To available for inadequate in products design, some micro insurance products may not adequately address the specific risks faced by low-income or just above the poverty alleviation households. For instance, the coverage might not be comprehensive or may not include risks that are particularly relevant to these populations.

Hence, I recommend a good product design for Micro-insurance Products.

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