ABSTRACT

Financial inclusion is now one of the most talked about agendas towards holistic development of the country. With the thrust towards financial inclusion by the Narendra Modi government to achieve all round growth of society, micro insurance is poised to play an important role in it. While the real sector and governments (along with a few micro economists) have long recognized the core economic role that the insurance function plays, the mainstream economics profession has largely treated it as invisible background. Micro-insurance is a key element in the financial services package for people at the bottom of the pyramid. This study surveyed the existing literature on the outreach and efficacy of micro insurance. This literature review of the relevant research, most of which has been carried out in the past few decades, demonstrates that the role of micro insurance sector contributes at a basic level of financial inclusion. However, the research and the theoretical models underpinning it also highlight certain constraints to the efficient utilization of the micro insurance function. The literature dealing with successful micro insurance a model are designed to overcome these constraints and is also reviewed and successful initiatives and remaining work is also considered. In this paper, we presented an overview of the existing literature which explains the theory of demand and progress made in micro-insurance over the last decade.

Keywords: Micro Insurance; Financial Inclusion; Micro Finance; Efficacy

INTRODUCTION

The Indian development scenario looks optimistic, not only in terms of the pace of economic growth but also in its capability to stand out in periods of global economic crises. The impact of growth in poverty reduction, too, has been significant, although the estimated elasticity of poverty reduction has been lower than several countries in the South Asian region (Devarajan and Nabi: 2006).

The opportunity for growth in micro insurance seems to be tremendous. A recent UNDP study revealed that 66 per cent of Indian households are “completely excluded” from any kind of financial services; they do not even have bank accounts. Insurance has a worse tale to tell. According to the study, over 90 per cent of the population is not covered by insurance and this creates a bigger opportunity to tap the rural market as majority still lives in villages.

 Needless to say, in the case of micro insurance, faster claim settlement (within couple of days or a week after receiving all documents) and giving back the promised financial benefit is critical to build trust. And to ensure that the insurer is trustworthy, claim rejection needs to be minimised and closely...
Followed up. In fact, insurers should encourage the low-income market to submit claims. Thus micro-insurance can slowly and steadily improve the statistics of financial inclusion and security in the rural areas.

Micro-insurance for financial inclusion of people, has gained momentum in the past two decades through micro-insurance schemes scaled on national, regional and local levels. These schemes provided ample research opportunities, resulting in a number of publications of research papers, journals, theses and systematic reviews. In this section, the outcomes of previous studies provide an idea of the impacts of micro-insurance affiliation on the health seeking behaviour, financial protection, and financial literacy of vulnerable population of developing and underdeveloped countries. For the purpose of avoiding selection bias in the review of previous literature, the reported studies span over nearly a dozen of developing countries with the period ranging from 2000 to 2014, published in different peer-reviewed journals. Since, diversification is carried out at every possible level such as study setting, time frame, or nature of the scheme; it is observed that the implementation mechanisms and designs of the schemes varied amongst each other.

OBJECTIVES

The objectives of the study-

1. To understand the relationship between Micro Insurance and Financial Inclusion.
2. To study and review the literature related to this topic.
3. To provide scope for further study.

REVIEW OF LITERATURE ON OUTREACH AND EFFICACY OF MICRO INSURANCE

Micro insurance is now recognized as the terrain where innovation in insurance can be and indeed is being experimented. The strongest drive to understand more about micro insurance comes from the realization that insurance is an essential tool in improving the protection of low income persons against the financial exposure due to life cycle events, economic activity, environmental issues and political issues. Insurance cannot resolve any of the major underlying issues; it can however provide the tools that delimit the financial exposure of single individuals when adverse, cost generating events occur.

Table 1. Outreach and Efficacy of Micro Insurance with Respect Citations

<table>
<thead>
<tr>
<th>Author name/Time frame</th>
<th>Title</th>
<th>Variables</th>
<th>Findings and contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. H. Ramakrishna n 2009</td>
<td>MI in India: Outreach and Efficacy</td>
<td>To study the legal environment and Micro Finance in India and development opportunities</td>
<td>Success of MI and MF is depends on the correct delivery mechanism and Requirement of micro lending solutions such as Micro Finance and Micro Insurance can help the rural poor across the globe</td>
</tr>
<tr>
<td>Akila Prabhakar 2010</td>
<td>MI: The Risk Reward Spectrum in India</td>
<td>Explore the growth of MI and particular type to alleviate in India</td>
<td>Index rain insurance can have a significant social benefit</td>
</tr>
<tr>
<td>S Mathur 2010</td>
<td>MI- A powerful tool to empower poor</td>
<td>To give details about MI products and companies offering MI in India</td>
<td>The study shows the progress of Micro insurance in India</td>
</tr>
<tr>
<td>Basanta K Sahu, 2011</td>
<td>MI in India: Outreach and Efficacy</td>
<td>Outreach and Efficacy of MI under partner agent model and current</td>
<td>Most of the products are not demand driven and there is a lack of understanding for awareness of MI,</td>
</tr>
</tbody>
</table>
The above theories are particularly evident in suggesting that since micro insurance was proposed in 2005 there is surge in financial services and the outreach of this policy to the lower segment of the society is increasing to ensure it as an effective tool.

**REVIEW OF LITERATURE ON CHALLENGES AND PROSPECTS OF MICRO INSURANCE**

Micro Insurance, a subset of micro finance can be defined as “financial product that pools the risk by collecting relatively small premiums from a large proportion and finding relatively large payouts to the small population that suffers losses from a specified risky events.

Micro insurance can play a crucial role as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed. Unfortunately, more than half of the world’s total poor do not benefit from any form of social protection measures. Since micro insurance is designed for the protection of low-income people to cope with common risks, it can also strive to cover the excluded such as poor, women and workers in informal sector.
Table 2. Challenges and Prospects of Micro Insurance with Respective Citations

<table>
<thead>
<tr>
<th>Author name/Time frame</th>
<th>Title</th>
<th>Variables</th>
<th>Findings and contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ilavagoan D and Chandramohan 2010</td>
<td>Monumental Tasks ahead in Micro Insurance in India</td>
<td>Analyse the various models, challenges and find steps to strengthen Micro Insurance</td>
<td>The problems of MI in India can be overcome by education, training and marketing can overcome the challenge and better distribution channels with decentralized solutions.</td>
</tr>
<tr>
<td>Zachary Sherman 2010</td>
<td>MI : An effective risk management tool for the</td>
<td>To examine the reasons why it should be provided and why these services are being demanded by poor and as a risk management tool</td>
<td>Emerging as an effective tool to cope with losses for rural Workers and an effective tool for rainfall insurance due to its payments. Partner agent model as an effective model</td>
</tr>
<tr>
<td>Dr Vijaykumar Gangal and Ms Kirthi Singh 2011</td>
<td>MI : A tool for upliftment of rural sector</td>
<td>Importance for upliftment of rural poor and alleviation of poverty in India. Initiatives taken by private and public</td>
<td>IRDA should ensure insurers to develop their own MI products and develop a distribution channel</td>
</tr>
<tr>
<td>Ikechukwu Ach &amp; Mfon Sampson 2012</td>
<td>Micro Insurance : A verifiable product diversification option for MFI in Nigeria</td>
<td>examine the concept of MI and its applicability in Nigeria Focuses on the role of Micro Finance Institutions in increasing the growth of MI benefits of MI in Nigeria and propose a model suitable for Nigerian community</td>
<td>Community based model is best suited in Nigeria</td>
</tr>
<tr>
<td>Rob Rusconi (2012)</td>
<td>Savings in MI: Lessons from India</td>
<td>To know the benefit of savings for micro insurance and prospects</td>
<td>Paying more attention to the manner in which customers might be encouraged to combine savings with insurance.</td>
</tr>
<tr>
<td>Amos Gitau Njunguna 2013</td>
<td>Risk Management Practices: A survey of Micro Insurance service providers in Kenya</td>
<td>Risk involved in complexity of micro insurance and vulnerability of target market</td>
<td>Usage of technology to lower measurement models and to invest in research actuarial services to improve pricing and to further study to know the ideal regulatory</td>
</tr>
</tbody>
</table>
Michal Matul, Aparna Dalal, Ombeline De Bock, Wouter Gelade (2013)  
MI: Low demand for micro insurance  
Low demand for microinsurance is a complex problem,  
Trust, liquidity constraints, the quality of the client value, proposition and behavioral constraints are the most important determinants of demand. Mitigating those challenges has the strongest impact on take-up.

Nancy R Lee and Jose Miguel Selana (2013)  
MI: Segmentation of market  
Need to segment the market  
Identify target audience and use a customer oriented research methodology

Tinsy Rose Tome and Selvam, V (2012)  
MI: Illuminating the Real Challenges in India  
To illuminate the real challenges of MI in India  
Providing more health insurance coverages and give orientations classes to make aware the marginalized society.

Seiro Itoy Hisaki Konoz (2009)  
Low rate of MI  
Understanding Low Take up rate and prospects  
Low take up rate due to less understanding of take up decision and create perceived needs towards micro finance

In sum, estimating actual market potential of micro insurance sector under the given condition may be erroneous because of the actual demand is miss-matched with the needs of the target groups and the supply is grossly influenced by suppliers perceptions rather willingness and ability to pay by the potential clients. There is an enormous market potential for customized micro insurance products and a huge space for innovation.

The comprehensive study listed down the constraints faced in the insurance sector and the measures to overcome these constraints. It shows the prospects of micro insurance as an effective tool to reduce the vulnerability of the bottom of pyramid.

LITERATURE REVIEW ON MICRO INSURANCE AND FINANCIAL INCLUSION LINKAGE

This section reviews the literature on understanding the extent to which micro insurance has helped in the current scenario and gives an insight to the various dimensions of micro insurance on how best to amplify the potential benefits of micro insurance as an effective paradigm for financial inclusion which will help at aiming a financial stability, thereby minimizing the resultant economic vulnerability that market interdependence exposes.

Insurance can potentially have a widespread impact in terms of driving behavior, managing risks, and thus financial inclusion and market development. In order to achieve this we need to reorient our thinking toward aligning incentives and creating a market rather than seeking only the holy grail of poor people actively buying retail insurance products from the very beginning. We need to select our interventions carefully and challenge our current approach, by approaching insurance as part of making a market, both for insurance itself and for our other financial inclusion and market development objectives.

Table 3: Micro Insurance And Financial Inclusion Linkages With Respective Citations

<table>
<thead>
<tr>
<th>Author name/Time frame</th>
<th>Title</th>
<th>Variables</th>
<th>Findings and contributions</th>
</tr>
</thead>
</table>
| Sankaramuthukumar and K Alamelu (2011) | Insurance Inclusion Index on a statewise analysis in India | Stress the importance of insurance as a component Extent the insurance | Insurance inclusion in India is low, but major regulatory authorities can find ways to more
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
<th>Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adriana Magdas (2012)</td>
<td>MI: creation of a roadmap to full financial inclusion,</td>
<td>Reach out to the low income group</td>
</tr>
<tr>
<td>N.N Mohapatra and Pankaj kumar (2013)</td>
<td>MI: Pillar of Financial inclusion</td>
<td>Few changes to be made to increase the outflow of funds to the vulnerable section of the society and ability of the scheme to increase their outreach.</td>
</tr>
<tr>
<td>Jeremy Leach (2013)</td>
<td>MI: Cindrella for financial inclusion</td>
<td>Lack of understanding of the role of insurance in the value chain and the way that it can manage risk and provide benefits for the low-income markets</td>
</tr>
<tr>
<td>K. Hema Divya (2013)</td>
<td>Micro Insurance: Importance of MI as a financial inclusion</td>
<td>Create new financial instruments such as micro insurance to create more awareness and utilize the financial inclusion which is more benefit to these lower section of the society.</td>
</tr>
<tr>
<td>Farah Farooqui 2013</td>
<td>Role of Micro finance institutions in MI</td>
<td>Awareness of Micro Finance Institutions and financial literacy is low especially women are unaware and alignment with SHG</td>
</tr>
<tr>
<td>Anuj Pratap 2014</td>
<td>MI: An innovative dimension of financial inclusion</td>
<td>Quantitative methods to find potential concerns and less financial literacy towards micro insurance. multiple channels of mass communication and involvement of household heads in scheme awareness programmes</td>
</tr>
</tbody>
</table>

From the above study it can be understood that the nature and extent of micro insurance policies and financial inclusion linkages will enable policy makers to informatively design policy proposals aimed at cushioning the destabilizing effects and overcome the adverse shocks caused due to availing the
marginalized section of the society. The positive aspects of micro-insurance in curtailing the negative health shocks through the provision of financial assistance to the poor.

CONCLUSION

In this study, we reviewed the existing theoretical and empirical literature on the interdependence of micro insurance and financial inclusion proposal can be deduced as a medium to propose the institution of micro-insurance, an innovative way for the financial inclusion of poor in developing countries. The first two sections from the previous research mentioned in the paper broadly discussed several issues from the theoretical disposition and shows the positive aspects of micro-insurance in curtailing the negative health shocks through the provision of financial assistance to the poor. It is here that the potential topics proposed in this study are different from the traditional research done on micro-insurance earlier. Since majority of previous research considered a very less gestation period for the impact assessment, hence a longer duration will be accounted for. To conclude, Micro-insurance is a key element in the financial services package for people at the bottom of the pyramid

RESEARCH IMPLICATIONS

The present study is a comprehensive review of literature and the following implications can be derived from micro insurance as a stepping stone towards financial inclusion in the country. It highlights the following points

1. Micro Insurance, Money Remittances and Micro Savings are three essential services which are part of financial products which will help bringing in the marginalized population into the mainstream

2. To explore the possibility of getting ability of every individual to access basic financial services which include savings, loans and insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that the savings are safe and that insurance claims will be paid with certainty

3. To examine how the financial literacy of people associated with micro-insurance, able to extend its effect on the usage and demand of other financial services

4. To identify the potential concern areas and design a mechanism to insure more outreach and durability

The practical implications of the study in the form of scope of further research have been discussed in the following section

LIMITATIONS OF THE STUDY AND SCOPE FOR FURTHER RESEARCH

This study only presents a detailed survey of literature on the importance and the major limitations of our study is that we did not use empirical data to build our arguments. However the study raises certain pertinent questions that can be taken for further research such as: how can micro insurance serve as a dimension to increase the financial inclusion in the country? Are the current micros insurance potential concerns can be reduced with a proper government mandatory regulation? One very important inquiry is what proportion of innovations in micro insurance can be attributed to financial inclusion? And finally will the accessibility towards financial inclusion will be increased by micro insurance

These are some issues which can be explored and worked upon by researchers in future studies.

REFERENCES


19. Mitul Deliya, Dr Karshanbhai Patel and Bhavesh Parmar (2012), Awareness of MI product in Patan district. Abhinav Journal of research Vol 4


