CHAPTER – I

INTRODUCTION
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1.1 INTRODUCTION

The rural poor are engaged mostly in primary occupations which are related to nature and thus make their life exposed to a variety of risks. Even though they are affected with numerous risks, there are no proper risks coping mechanisms to reduce risks affected. Many of the risks which the poor are exposed to are not easily insurable with normal risk coping mechanisms. It thus becomes necessary to lead a subtle life completely insured against these risks. Micro insurance step in here to rescue. Hence new set of laws, policy and life micro insurance solutions helps to permit the imbursement of insurance coverage against risks faced by the rural poor.

Micro insurance is mostly provided as a credit plus service. There are various government and private insurance schemes in India but most of them do not reach the rural poor either because of too expensive premiums or because they are not easily accessible to the rural poor. Micro insurance is an attempt to provide insurance to poor people at a reasonable premium. Micro insurance can be in the form of life, health or property insurance which offers screen to the policyholder at a small premium imbursement. It is aimed at low-income population and designed to help them cover themselves collectively against risks.

Micro insurance offers revolutionary ways to fight poverty by scientifically administering economic risks to their livelihoods. In the past insurance was considered as an alternative for the poor. It was believed that insurance was not affordable to the poor and that poverty and insurance do not go hand in hand. Since the poor were exposed to multiple risks, they were considered uninsurable. The current developments shows that the poor can make diminutive contributions to insure themselves against risk and the risks to which they are mostly exposed are insurable. The rural and social sector obligations and the micro insurance regulations from Insurance Regulatory and Development Authority are important steps ensuring financial inclusion and social security of the poor. In this context this empirical study aims to identify the aspects relating to awareness on life micro insurance, impact of
life micro insurance, the factors facilitating the intake of micro insurance and the constraints in life micro insurance among rural women policy holders in Vellore Division.

1.2 CONCEPTS USED IN THE STUDY

1.2.1 MICRO INSURANCE

The protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved - Consultative Group to Assist the Poor (CGAP).

It is the mechanism to protect poor people against risk in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the developing world’s low income workers, especially those in the informal economy who tend to be undeserved by mainstream commercial and social insurance schemes - ILO, Micro insurance Innovation Center (2008).

1.2.2 JEEVAN MADHUR LIFE MICRO INSURANCE

It is a simple savings related life insurance plan where you may pay premiums regularly at weekly, fortnightly, monthly, quarterly, half yearly and yearly intervals over the term of the policy (Life Insurance Corporation of India).

1.3 MICRO INSURANCE FOR THE POOR

The concept of micro insurance, micro insurance institutions and instruments have developed rapidly over the last decade as a crucial building block in the financial services package for the poor people who are at the base of the pyramid and face more risks in their life than the well-off. For low-income households, the impact of adverse significantly affects household income and consumption levels. The vulnerable face multiple constraints to efficient risk management and lack of opportunities to increase their incomes. The resources of the poor are so limited that they can experience great financial disruption when unexpected events befall them. The vulnerability of the poor households is very high due to the various risks related to their lives and livelihood activities. Such emergencies personal, social or natural often involve huge expenses and drive them deeper into poverty.
The poor are more susceptible to major crises. Such crises are managed either by borrowing from moneylender, sale or mortgage of assets or drawing on scarce savings. Extending the reach of insurance to low-income groups can play a large role in ensuring that when a family faces a financial crisis, the household does not find itself further impoverished. But inculcating a habit among the rural masses to insure the assets, lives and the health of their families has remained an elusive goal.

However, even though micro insurance is still in its initial stages and there is a large scope for increases in supply and access, the lack of understanding about the demand in the field of micro insurance is derived from programmes in which there are sufficient supply of and access to micro insurance but micro insurance is not adopted, taken up or purchased. Within this background, the study attempts to analyze the misconception and physical infirmities, if any, have been the hindrances to make even the smallest progress. The study presents an extensive survey of problems from the point of view of the women life micro insurance policy holders and the future prospects for the micro insurance with a special focus on Vellore Division, Life Insurance Corporation of India, Tamil Nadu.

1.4 STATEMENT OF RESEARCH PROBLEM

Majority of the people in our country live in rural areas and earn their livelihood from agriculture related activities. Various practical governmental and administrative measures taken by the Government since independence have improved the position to some extent. However it is obvious there are inherent constraints in bringing about welfare of the rural poor. In view of the large population and limited financial resources available with a developing country, credit plays a crucial role in economic empowerment.

The research work is alarmed with social responsibility which is increasingly becoming indicators of fineness and routine. Social security has crept into the insurance business as a major concern towards stability, continuity and growth. There are more than a few unmet social needs which need to be addressed. One such social unmet need is the need for life micro insurance. Insurance Regulatory Development Authority (IRDA) has made it compulsory for insurance companies to provide insurance to rural poor in compliance with social need. Still in India majority of the
women are not aware about the concepts, products and benefits of life micro insurance because of illiteracy and low income. It is also evidenced from the earlier studies that while opting for life micro insurance, the rural women face many constraints like social, economic and aspects relating to marketing which results in low intake of life micro insurance and less preference to opt for life micro insurance. There is lack of innovative products to match the rural poor people’s needs. The risks faced by the poor are much the same as those for most individuals but the frequency of experiencing risk is superior among the rural poor. So they need a societal security net. The insufficient saving habits and the scope for substantial market potential for life micro insurance are still under question in India. Hence, it is becoming increasingly clear that life micro insurance needs a further push and guidance from the regulator as well as the government. Based on the above problems, the research gaps had been identified. Hence, there is a need for an in depth study of the problems under research.

1.5 IMPORTANCE OF THE STUDY

This study has both theoretical and practical significance in insurance industry. The awareness and impact of life micro insurance based on the results of the study would highlight a strong theoretical support for the new researchers and the insurance sector could deliver more awareness and create high impact among the rural women policyholders. This study has brought out the association between demographic profiles with the preferences for taking micro insurance to help the life micro insurance providers to frame policies in such a way as to attract the rural customers. This study also tries to find out the factors facilitating intake of life micro insurance among rural women through various attributes which will definitely constitute a strong theoretical significance to policyholders and practical applications to the insurance industry.

Another important aspect of the study lies in identifying the constraints faced by women policyholders in life micro insurance currently offered by LIC, Vellore division. These constraints will definitely help LIC to determine the same strategy for minimizing the constraints faced by policyholders. On the whole, this study would help the researcher to understand the association among the variables studied and
would definitely assist the LIC on Jeevan Madhur life micro insurance to solve the problems in the context of awareness and impact of life micro insurance.

1.6 SCOPE OF THE STUDY

The present study takes into account eight blocks; four each from Vellore and Tiruvannamalai district, coming under Life Insurance Corporation of Vellore Division, Tamil Nadu. This study covered only the policy holders who insured their life under Jeevan Madhur life micro insurance policy of LIC. The study has included in its scope to analyze the awareness and impact of life micro insurance of the respondents and attempted to study the preferences, constraints and factors facilitating intake of life micro insurance. The study sample is based on coverage, level of poverty and variety of life micro insurance products in operation and overall performance of delivery channels. Out of the different micro insurance delivery structures, partnership between insurers and the distribution agents such as Non Governmental Organizations are also selected as they were popular within the study area. The aspects of life micro insurance such as risks coping mechanisms adopted by the rural poor and aspects relating to claim settlement do not come under the purview of the study.

1.7 RESEARCH QUESTIONS

1. Are the rural women really aware of life micro-insurance and how far life micro insurance policy has created an impact among rural women?

2. Is there any preference among rural women in selecting life micro insurance offered by LIC in India?

3. What are the constraints faced by rural women in possessing life micro insurance policy?

4. Are there any specific set of factors which facilitate the intake of life micro insurance?
1.8 RESEARCH OBJECTIVES

1. To study the demographic profile, life micro insurance profile and preference for taking life micro insurance among women policyholders of Vellore Division, Tamil Nadu.

2. To analyze the awareness about life micro insurance among rural women of Vellore Division, Tamil Nadu.

3. To find out the impact of life micro insurance among rural women policy holders in Vellore Division, Tamil Nadu.

4. To identify the constraints faced by rural women life micro insurance policyholders of Vellore division, Tamil Nadu.

5. To examine the factors facilitating rural women to opt for life micro insurance in Vellore Division, Tamil Nadu.

1.9 RESEARCH HYPOTHESES

\[ H_{01} \]: There is no significant relationship between age, marital status, education, income, family type and savings with preference for taking life micro insurance policy.

\[ H_{02} \]: There is no significant relationship between education and awareness about life micro insurance.

\[ H_{03} \]: There is no significant relationship between sources of information and awareness about life micro insurance.

\[ H_{04} \]: There is no significant relationship between amount of savings and impact of life micro insurance among rural women policy holders.

\[ H_{05} \]: There is no significant relationship between income and impact of life micro insurance among rural women policy holders.

\[ H_{06} \]: There is no significant relationship between occupation and factors facilitating intake of life micro insurance.

\[ H_{07} \]: There is no significant relationship between income and factors facilitating intake of life micro insurance.
1.10 RESEARCH METHODOLOGY

1.10.1 STUDY AREA

South India constitutes nearly 80 per cent of micro insurance activity. Vellore Division in Tamil Nadu has been selected for this study. Vellore Division of Tamil Nadu covers five districts namely; Vellore, Tiruvannamalai, Cuddalore, Villupuram and Pondicherry. Out of which Vellore and Tiruvannamalai are particularly taken for the present study as these two districts are the best performers in life micro insurance in Vellore Division. Both the districts are primarily agrarian and majority of the people are involved in agriculture. Vellore district has a total population of 39,36,331 out of which 19,61,688 are men and 19,74,643 are women (Census 2011). The literacy rate for the district is 71.9 per cent. The district has a very large population of non-workers (58.95%). Vellore has 18,245 SHGs consisting of 3,02,275 members. There are seven Life Insurance Companies in Vellore. Tiruvannamalai district has a total population of 3,468,965 equal to the nation of Kuwait. The literacy rate for the district is 79.33 per cent. The district has more than 25,000 SHGs. LIC Vellore Division has sold 47,000 life micro insurance policies till 31.03.2012. Hence, there is a justification for selecting two districts of Vellore division to study the existing scenario and the future prospects of life micro insurance activities.

1.10.2 NATURE OF THE STUDY

The research attempt is empirical in nature. Methodology of the study covers the collection of data, sampling size and design, questionnaire development and collection and finally the statistical tools used to analyze the data collected.

1.10.3 DATA COLLECTION

The present study was based on primary data as well as secondary data. The study depends mainly on the primary data collected through a well framed and structured questionnaire to elicit the well considered opinion of the respondents.

1.10.4 SAMPLING DESIGN

The present study has identified eight blocks of rural areas, four blocks each from Vellore District and Tiruvannamalai District, Tamil Nadu for data collection.
namely; Madanur, Katpadi, Vellore, Anaicut, Polur, Kalasapakkam, Arni and West Arni (Appendix B).

- In Madanur block, the data was collected from 58 respondents from 4 villages.
- In Katpadi block, the data was collected from 64 respondents belonging to various SHGs from 4 villages.
- In Vellore block, the data was collected from 52 respondents belonging to various SHGs from 4 villages.
- In Anaicut block, the data was collected from 66 respondents belonging to various SHGs from 4 villages.
- In Polur block, the data was collected from 56 respondents from 4 villages.
- In Kalasappakam block, the data was collected from 62 respondents belonging to various SHGs from 4 villages.
- In Arni block, the data was collected from 58 respondents belonging to various SHGs from 4 villages.
- In West Arni block, the data was collected from 64 respondents belonging to various SHGs from 4 villages.

A total of 880 samples were issued through personal contacts and collected 778 samples from the respondents and 480 samples were taken for analysis and the remaining 298 samples were rejected and not taken for analysis because they were incomplete. Convenient sampling technique was adopted.

1.10.5 QUESTIONNAIRE DESIGN

A questionnaire was developed both in English version and Tamil version to study the “Awareness and Impact of Life Micro Insurance among Women Policy Holders: A Study with Reference to Vellore Division”. Before conducting the field study, the questionnaire was pre-tested. A draft questionnaire was administered to selected 50 respondents in four blocks. On the basis of the comments received from the rural women policy holders, NGOs and experts a few modifications were made and the final questionnaire has been prepared. The final version of the questionnaire
contains six sections. Section - I contains 18 close ended, open ended and multiple choice questions to study the demographic profile of the life micro insurance policy holders.

Section - II of the questionnaire contains 27 close ended; open ended and multiple choice questions to study the life micro insurance profile of women policy holders.

Section – III of the questionnaire contains 13 statements positively worded in a 5 point Likert’s scale to identify the awareness about life micro insurance among policy holders with a rating scale of 5 – Extremely Aware (EA), 4 – Very Aware (VA), 3 – Moderately Aware (MA), 2 – Slightly Aware (SA) and 1 – Not at all Aware (NA).

Section – IV of the questionnaire contains 33 statements in a 5 point Likert’s scale to study the impact of life micro insurance constructed with rating scale from 5 – Strongly Agree (SA) to 1 – Strongly Disagree (SD).

Section – V of the questionnaire contains 38 statements via 5 point Likert’s scale to examine the constraints faced by life micro insurance policy holders with a rating scale from 5 – Strongly Agree (SA) to 1 – Strongly Disagree (SD).

Section – VI of the questionnaire contains 27 statements both positively and negatively worded in a 5 point Likert’s scale to identify the factors facilitating the intake of micro insurance among policy holders with a rating scale from 5 – strongly Agree (SA) to 1 – Strongly Disagree.

1.10.6 DATA COLLECTION

The secondary data included not only the Annual Report of LIC, but also the Annual Reports of IRDA, District reports of Vellore and Tiruvannamalai District, Tamil Nadu. The study has also used information collected from published sources like Journals, Magazines, Newspapers, books, internet and earlier research studies.
1.10.7 STATISTICAL TOOLS AND ANALYSIS

The collected data were edited, coded and analyzed with the help of SPSS version 20 (Statistical Package for Social Sciences) and the following statistical tools were used to obtain torrent of results concerning the objective of the study.

1. Frequency and percentage analysis were applied to study demographic profile and life micro insurance profile of the respondents.

2. Chi square test was used to identify the association of demographic factors with preference for taking life micro insurance policy.

3. Factor Analysis, Weighted Average scores and Chi square test was used to analyze the awareness about various aspects of life micro insurance among the policy holders.

4. Weighted Average scores and ANOVA were used to find out the impact of life micro insurance.

5. Factor Analysis with KMO and Bartlett’s test and principal component method was used to identify the constraints faced by women life micro insurance policy holders in Vellore Division.

6. Friedman test, chi square and ANOVA was used to examine the factors facilitating intake of micro insurance.

1.10.8 RELIABILITY RESULTS

Besides ensuring the validity of the instrument, that is to be guided in a study using qualitative methodology, reliability test was conducted.

The reliability analysis using Cronbach’s Alpha showed a reliability as given in the following table, which is greater than 0.7 confirming the adequacy and reliability of the questionnaire, which is considered as highly significant.
Table 1.1 Reliability Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>No of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness on life micro insurance</td>
<td>0.810</td>
<td>13</td>
</tr>
<tr>
<td>Factors facilitating intake of life micro insurance</td>
<td>0.905</td>
<td>27</td>
</tr>
<tr>
<td>Constraints in life micro insurance</td>
<td>0.940</td>
<td>38</td>
</tr>
<tr>
<td>Impact of life micro insurance</td>
<td>0.940</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Primary Data

1.11 LIMITATIONS OF THE STUDY

The present study focused only on the rural women life micro insurance policy holders of Jeevan Madhur Life Micro Insurance policy in LIC Vellore Division. This division covers five districts namely; Vellore, Tiruvannamalai, Cuddalore, Villupuram and Pondicherry but only two districts; Vellore and Tiruvannamalai are taken into consideration for the present study. The total number of samples is restricted to 480 only. There is always a problem of choosing from limited options given in the questionnaire, which may not exactly match one’s views, though respondents were given scope to go beyond the options wherever required. The opinion of the respondents may change from time to time and the results of the study may not be similar for all times and may not be the same for other divisions in the state. Therefore, the results of the study may not be generalized to other places. Language and transportation problems were faced by the researcher at the time of collection of data. Sometimes convenience sampling method do not support for generalization of the findings in other areas. Even though there were lots of limitations, the researcher has made sincere efforts to complete the work in order to increase the reliability of the findings of this study.

1.12 CHAPTERISATION

The study report is organized in five chapters as explained below:
Chapter I: Introduction

The first chapter presents a brief introduction to life micro insurance and the importance of the study, statement of problem, research questions, objectives, and hypotheses, research design and methodology, data analysis and tools used, scope and the limitations of the study.

Chapter II: Overview of the development of life micro insurance

The second chapter documents an overview of development of life micro insurance at global level, national level; state level and the target Vellore division. It presents micro insurance products among the rural and poor masses, the basic features, future potentials and the various challenges faced by the life micro insurance institutions as well as the policyholders.

Chapter III: Review of Literature

The third chapter presents a comprehensive collection of literature reviews from various sources, mainly previous studies and their findings.

Chapter IV: Demographic and Life Micro insurance profile of the respondents

The chapter presents the demographic, life micro insurance profile and preferences for taking life micro insurance among the respondents.

Chapter V: Awareness and impact of life micro insurance

The chapter presents the level of awareness and impact of life micro insurance among the women policy holders covered under the area of study.

Chapter VI: Constraints and factors facilitating intake of life micro insurance

The chapter analyses the constraints faced by life micro insurance women policyholders and the factors facilitating intake of life micro insurance among the rural poor with regard to various aspects.
Chapter VII: Summary of findings, conclusion and suggestion

The chapter includes the summary of findings, suggestions and conclusions of the study.

1.12 PERIOD OF STUDY

The period of the study extended from August 2008 to July 2013.

1.13 BIBLIOGRAPHY

The chapter gives a summary of the references of research papers, project reports, newsletters, dissertations, thesis, books and magazines used for the study.

1.14 APPENDICES

A - Copy of Questionnaire (English and Tamil)

B - Sample frame for the study

C - Vellore and Tiruvannamalai District Map

1.15 CONCLUSION

The introductory chapter gives an overview of the link between life micro insurance for the poor and risk management among the rural households and society. This chapter also discusses the statement of problem, research questions, objectives and hypotheses, the research methodology adopted for the study along with the scope and limitations. The final section presents the structure of the research study.

Since this chapter gives a brief idea about life micro insurance and its concepts with major focus on the aspects relating to the study, an attempt is made in the next chapter to give an overview of the development of life micro insurance.