Micro-Insurance and Women Empowerment

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Abstract: *In the context of emerging global economic momentum countries India have been experiencing the appearance of a number of potential financing options for health care both within and outside the health sector. This study looks at the possibility of micro-insurance as an alternative option for financing health care and playing the role in to empowerment of women especially women who come from the rural and marginalized society. As most of the earning of the rural household get spent on food or health, every year large number of people (poor) died in the absence of proper medical facilities due to the lack of money, the women is the most effected one, due to our Indian patriarchal society. She also suffered after the death or disability of her husband. As the insurance service provided by the agencies is not affordable for such poor, micro insurance can play a vital in order to reduce the risk of such section by providing insurance services in lesser amount, which not only empowered the women but also empowered the whole society.*

Keywords: *Micro-insurance, women empowerment, marginalized etc.*

1. INTRODUCTION:

Women in India are the victims of a multiple socio-economic and cultural factors. They are an integral part of our economy. Empowerment of rural women is a necessary condition for nation's economic development and social upliftment. The formation of SHGs is not only a micro credit project but also an empowerment process. According to Ledger wood (1999) micro finance generally include savings and credit but can also include other financial services like insurance and payment services. Therefore, micro finance involves the provision of financial services such as savings, loans and insurance to poor people living in urban and rural settings who are unable to visit formal financial institutions. The term micro finance can be used interchangeably with the term micro credit. However the term micro finance has a broader meaning than the micro Credit, as it covers financial services like savings, insurance etc., on the other hand, micro credit covers only purveyance of loans in small quantity. The important characteristic of micro finance is to provide financial services through groups of individuals. In this connection micro finance with self-help groups (SHGs) play an effective role for promoting women empowerment. It is not only an effective tool to fight against poverty, but also as a means of promoting the empowerment of marginalised sections of the society. Micro finance institution started in India in 1980s through SHGs model. On the other hand, Grameen Groups model was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country. This model was first introduced by Nobel peace prize (2006) winner economist Md. Yunus. Microfinance is emerging as a powerful instrument for poverty alleviation in the global world. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the poorer section and women, which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Women's access to credit and their emerging role in productive purposes like participation in national income has got recognition in the first international Women's Conference held in Mexico in 1975. This led to the setting up of the Women's World Banking network and production of manuals for women's credit provision. Other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues. Concern with women's access to credit and assumptions about contributions to women's empowerment are not new. From the early 1970s women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit programmes and credit cooperatives. After poverty reduction campaign, empowering women was the second important goal which was reinforced by the Micro Credit Summit in 1997. Micro finance through SHGs for women has recently been seen as a key strategy not only for poverty alleviation programme but also on gender equality and health.

Micro insurance is of supreme importance for protecting poor lives against accidents, threats and other types of risks. Micro insurance has been dominated by non-government organizations (NGOs) and by Insurance development regulatory authority (IRDA) in India; however, with the liberalization of Indian economy, private sector entrant Micro insurance has got momentum. The public sector Insurance Companies has emphasized on exploiting the potential of rural India as it provides immense opportunity in the globalization era.

Microfinance refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of society. It is emerging as a powerful tool for poverty and economically empowerment in India. The prospect of Micro-Finance is dominated by SHGs (Self Help Groups) - Banks linkage Program. Its main aim is to provide a cost effective mechanism for providing financial services to the poor.MFIs are the players in India; their primary product is microcredit. Other players that extend microfinance services, in addition to their core businesses, include bank and insurance companies, agricultural and dairy co-operatives, corporate organisation such as fertiliser companies and handloom houses, and the postal network. Additionally there are specialised lenders, call apex MFIs that provide both loans and capacity building support to MFIs.[1]

Micro-insurance is considered by low premium and low coverage limits and sold as typical risk-pooling and marketing arrangements and designed for low income people and businesses not served by typical social or commercial insurance.

"Micro-insurance is the protection for the low -income population against specific dangers in exchange for regular payments of proportional premiums to the probability and costs of the involved risks". – Churchill

Micro-insurance is thus designed with the objective of protecting poor people and also designed with the environment that surrounds them, their needs, and possibilities. It is necessary that the product is developed for people ignored by traditional insurance markets.

2. What is women empowerment?

'Women empowerment' is a term that has gained currency in the human development and government discourse. Amongst the 8TH millennium economic development goals, women empowerment is one of the most crucial goals. The word 'women empowerment' is first announced in 2001 in India. She is empowered when she is valued as a normal being of society who has the space to participate in public discourse. The educated Indian women are empowered because she knows her rights. But women belonging to the weaker or poorer sections of the society still face problems like domestic violence, dowry harassment, sexual harassment, etc. According to census report, 2011, 82.14% literate person are male where as only 65.46% women are literate which shows the educated society is dominated by male in India. Education is the main component for women empowerment which is out of reach in many Indian women. Women empowerment is still a cry in India. In rural India women are deprived of basic needs and education. So until and unless women are educated in the true sense, women empowerment will remain a distant dream. According to reports women constitute 48 % of the total population in India. And they perform almost two thirds of the works and produce 50% of our food commodities. Women earn one third of the remuneration and own only 10 % of the property of the country. From such kind of study, it is found that women are still a prey of gender biasness in our society. The Self help groups are the most significant way of bringing about socio-economic change in our society. It is integrating the low income segment with the rest of the rural community through speeding up economic growth and improving the quality of women community in rural area.

3. History of insurance in India:

The insurance industry in India, private and public, has its roots in the 19th century. The British Government set up state-run social protection schemes for its colonial officials, many of which evolved into the schemes that operate to this day. The first private insurance company was the Oriental Life Insurance Company, which started in Calcutta in 1818. The 1 9th century saw the development of a number of Indian insurance companies including the Bombay Mutual (1871), Oriental (1874) and the Empire of India (1897). Under British rule there were large numbers of insurance companies operating in India. In 1938 the British passed the Insurance Act, a comprehensive piece of legislation governing the insurance industry. The Act remains the legislative cornerstone of the insurance industry to this day.

Regulated Indian insurers are divided into two core categories : life and general insurance. Life insurance includes products like endowment policies and retirement annuities. General insurance covers all other types of insurance. In 1956 the Indian Government nationalized the life insurance industry. The reasons given at the time were high levels of fraud in the industry and a desire to spread insurance more widely. As Prime Minister Nehru noted at one time in Parliament, "We require life insurance to spread rapidly all over the country and to bring a measure of security to our people." The Government combined 154 insurance providers and formed the Life Insurance Corporation of India. General insurance remained in private hands until 1973 when it was nationalized.

The impact of nationalization was to create a small number of state-owned insurance companies. Just prior to nationalization, 68 Indian (including the Life Insurance Corporation, LIC) and 45 non-Indian entities sold insurance. All these organizations were absorbed into one giant corporation, the General Insurance Corporation (GIC) with its four subsidiaries: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited, and United India Insurance Company Limited.

[1]National Bank for Agriculture and Rural Development, Small Industries Development Bank of India, Mahila Kosh and Friends of Women's, Word Banking are the apex MFIs in India.

In spite of Nehru's desires in the decades following nationalization, insurance products were designed primarily for those with regular incomes, i.e., those in formal employment. These were overwhelmingly men in urban areas. The poor, living mostly by agriculture, were for the most part overlooked by these new companies.

When the ideological winds of change blew in the early 1990s, the Indian Government set about liberalizing its insurance markets. It set up a commission of enquiry under the chairmanship of R.N. Malhotra. The central outcome of the commission was the establishment of the Insurance Regulatory and Development Authority (IRDA) that in turn laid the framework for the entry of private (including foreign) insurance companies.

5. What is micro insurance?

In India, it is often assumed that a micro insurance policy is simply a low -premium insurance policy. This is not so. There are a number of other important factors. Low-income clients often:

- Live in remote rural areas, requiring a different distribution channel to urban insurance products;
- Are often illiterate and unfamiliar with the concept of insurance, requiring newapproaches to both marketing and contracting ;
- Tend to face more risks than wealthier people do because they cannot afford the samedefences. So, for example, on average they are more prone to illness because they do noteat as well, work under hazardous conditions and do not have regular medical check -ups;
- Have little experience of dealing with formal financial institutions, with the exception of the National Bank of Agriculture and Rural Development (NABARD) Linkage Banking programme;

6. OBJECTIVE OF STUDY:

- To explain the role of micro insurance in women empowerment.

7. METHODOLOGY: The present study is an attempt to analyze how empowerment of women through Micro insurance on the sources of secondary data.

8. DEVELOPMENT OF MICRO-INSURANCE IN INDIA:

Traditionally in India, rare micro-insurance schemes were introduced, either by non- governmental organizations (NGO) due to the felt need in the communities in which these organizations were involved or by the trust hospitals. These schemes have now gathered momentum partly due to the development of micro-finance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector in the country (IRDA 2000). As a result, increasingly, micro-finance institutions (MFIs) and NGOs are negotiating with the for-profit insurers for the purchase of customized group or standardized individual insurance schemes for the low-income people. Although the reach of such schemes is still very limited anywhere between 5 and 10 million individuals, their potential is viewed to be considerable. The overall market is estimated to reach Rs. 250 billion in by 2008 (ILO 2004).

The insurance regulatory and development authority (IRDA) defines rural sector as consisting of:

- A population of less than five thousand
- A density of population of less than four hundred per square kilometer
- More than twenty five per cent of the male working population is engaged in agricultural pursuits. The categories of workers falling under agricultural pursuits are: cultivators, agricultural labourers, and workers in livestock, forestry, fishing, hunting and plantations, orchards and allied activities.

The social sector as defined by the insurance regulator consists of:

- Unorganized sector
- Informal sector

Economically vulnerable or backward classes, and Other categories of persons, both in rural and urban areas.

The social obligations are in terms of number of individuals to be covered by both life and non-life insurers in certain identified sections of the society. The rural obligations are in terms of certain minimum percentage of total polices written by life insurance companies and for general insurance companies, these obligations are in terms of percentage of total gross premium collected. Some aspects of these obligations are particularly noteworthy. First, the social and rural obligations do not necessarily require (cross) subsidizing insurance. Second, these obligations are to be fulfilled right from the first year of commencement of operations by the new insurers. Third, there is no exit option available to insurers who are not keen on servicing the rural and low-income segment. Finally, non-fulfilment of these obligations can invite penalties from the regulator.

In order to fulfil these requirements all insurance companies have designed products for the poorer sections and low-income individuals. Both public and private insurance companies are adopting similar strategies of developing collaborations with the various civil societies associations. The presence of these associations as a mediating agency, or what we call a nodal agency, that represents, and acts on behalf of the target community is essential in extending insurance cover to the poor. The nodal agency helps the formal insurance providers overcome both informational disadvantage and high transaction costs in providing insurance to the low-income people. This way micro insurance combines positive features of formal insurance (pre-paid, scientifically organized scheme) as well as those of informal insurance (by using local information and resources that helps in designing appropriate schemes delivered in a cost effective way). In the absence of a nodal agency, the low resource base of the poor, coupled with high transaction costs (relative to the magnitude of transactions) gives rise to the affordability issue. Lack of affordability prevents their latent demand from expressing itself in the market. Hence the nodal agencies that organize the poor, impart training, and work for the welfare of the low-income people play an important role both in generating both the demand for insurance as well as the supply of cost-effective insurance.

9. Features of the micro-insurance market in India:

- Product characteristic: Micro-insurance products in the market have short policy contract terms and are tremendously (but no longer exclusively) underwritten on a group basis. A number of the new products offered by formal insurers may be individually underwritten but the numbers of such policies is still very small even relative to the low overall outreach of micro-insurance.
- Demarcation: Formal insurers are required either to provide life or non-life insurance exclusively though health insurance may be provided by either category of insurer. Community based insurance systems are largely limited to health cover.
- Health prominence: Health insurance is prominent in community-based systems because health risk is generally seen as potentially the most devastating type of systemic risk likely to upset the lives and economic livelihoods of the low-income population. Formal micro-insurance schemes are yet to cover health in any significant way on account of the difficulties of ensuring service delivery and the dangers of moral hazard in a highly informal health service provision network.
- Low outreach of community-based insurance: Community-based health insurance systems managed by NGOs are available but, except in a couple of cases, has minuscule outreach. The limited prudential risk vis-à-vis payments made by the covered population means that the regulator has not yet taken a significant interest in these.
- Dominance of loan linked products: This is the largest product in the market driven by the compulsion of borrowers to purchase insurance schemes mainly to provide protective cover to the MFIs.
- Micro-insurance category: The advent of separate micro-insurance guidelines provided by the insurance regulator has seen the launch of new micro-insurance products in the formal market.
- New distribution models: Rural and social sector obligations imposed on formal insurers by the market regulator have compelled insurance companies to experiment with new distribution models through NGOs, MFIs and the rural banking network.
- Advice-less selling: Micro-insurance is sold significantly without advice while the higher end of the insurance market is served by brokers providing advice. Micro-insurance agents are specifically restricted to working with a single life and single non-life insurer.

10. UNDERSTANDING MICROINSURANCE:

It is widely believed that low-income households do not understand insurance; for this reason, they do not buy or renew it. Understanding micro insurance is influenced by awareness, knowledge and skills. For example, Platteau and Ugarte (2013) measured understanding by checking, among other things, whether clients thought they should be reimbursed in the absence of a claim and whether they knew how their contract worked. People with a lower level of understanding were much less likely to renew; in fact, below a certain level of understanding, virtually nobody renewed the policy. But is a lack of understanding the main reason that low-income households do not buy or renew micro insurance? Will increasing awareness, knowledge and skills necessarily increase demand? The evidence is mixed. While awareness and knowledge often increase with consumer education interventions, this does not always translate into higher levels of demand.

11. AWARENESS:

Detecting whether an individual has already been exposed to micro insurance products, or at least the concept of risk pooling, is a first step to improving understanding. Mass media campaigns are a cost-effective approach to raising awareness of insurance (see Box 1).3 As discussed in Section 6, using a peer network is another solution. Awareness is important, but does not guarantee demand by itself. Ackah and Owusu (2012) computed an insurance awareness index in Ghana. Some 65 per cent of respondents were aware of at least one type of insurance. Yet, although many people had heard the word 'insurance', they did not appear to understand insurance as a way of preparing for future unforeseen misfortunes.

12. CONCLUSION:

Once people are aware that micro insurance products exist, efforts can be made to improve knowledge of micro insurance terms and concepts and of the specific product, as well as the skills needed to evaluate risk management tools. Knowledge and skills (and subsequently, demand) are influenced by education and the financial literacy of individuals, there is a positive impact of micro health insurance in the reduction of poverty among rural households. Micro health insurance has a significant beneficial effect on food sufficiency of poor's and has a dynamic improvement in the health status of poor rural households. Health insurance of women will helpful in reducing the mortality rate of infant and the mother, life insurance of the bread-earner of the family act as protection shield for the family in the time of any miss-happening. Therefore it is need for government and concern agencies to provide micro-insurance services on large extent, it also provide awareness of the same. It will not only empower the rural women but also proved helpful in eradicating poverty, solving health issues of rural areas etc.

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