Journal of Corporate Governance, Insurance, and Risk Management
https://www.acadlore.com/journals/JCGIRM

The Efficacy of Micro Life Insurance on Poverty Alleviation in India

Gayatri Satapathy, Alok Ranjan Behera*

Department of Analytical and Applied Economics, Utkal University, 751004 Bhubaneswar, India

* Correspondence: Alok Ranjan Behera (arbehera@utkaluniversity.ac.in)

Received: 02-02-2024 **Revised:** 03-16-2024 **Accepted:** 03-23-2024

Citation: Satapathy, G. & Behera, A. R. (2024). The efficacy of micro life insurance on poverty alleviation in India. *J. Corp. Gov. Insur. Risk Manag.*, *11*(1), 47-57. https://doi.org/10.56578/jcgirm110103.

Abstract: This study delineates the current landscape and effectiveness of micro life insurance in India, with a particular focus on its utility for economically disadvantaged populations. Utilizing descriptive statistics, bar diagrams, tables, figures, and scatter plots, the analysis reveals a positive trend in the coverage of lives under micro life insurance, concomitant with an increase in the number of agents. The life insurance corporation of India (LIC) plays a predominant role relative to private insurers, with group insurance schemes proving more effective than individual schemes. Furthermore, factors such as education, age, family size, wealth, financial literacy, bequest motives, and saving behaviors are identified as significant determinants of microinsurance uptake. Critically, micro life insurance is shown to substantially reduce out-of-pocket expenditure (OOP) and alleviate financial hardships among the poor, thereby contributing to poverty reduction. This comprehensive examination not only underscores the expanding reach and impact of micro life insurance but also emphasizes its strategic role in mitigating poverty within vulnerable segments of the population.

Keywords: Micro insurance; Life insurance; Insurance regulatory and development authority of India (IRDAI); Life insurance corporation of India (LIC); Poverty alleviation

1. Introduction

Insurance is a sophisticated risk management strategy that can protect individuals or households from severe financial crises generated by idiosyncratic shock (Ahsan et al., 2013). Life is very risky for the poor in developing countries, and illnesses, natural disasters, unemployment, and accidents affect this segment of the population more severely than others due to their lack of formal insurance and their limited social safety nets, among other reasons (Eling et al., 2014). The necessity and prevalence of micro insurance are very wide in developing countries. It seems to be very useful for low- and medium-income earners. Low- and medium-income earners are more exposed to any risk, and they are more vulnerable in society. Poor people are exposed to numerous life-cycle-related, economic, political, societal, or natural disaster-related hurdles, and their capacity to deal with all these problems are limited (Radermacher & Brinkmann, 2011). Micro insurance products and services can reduce the percentage of any financial burden by assisting them.

Individuals with lower incomes reside in hazardous settings and are susceptible to a wide range of dangers. These include health issues, accidental fatalities and disabilities, property theft or damage from fires, agricultural setbacks, and various disasters, both natural and human-made. Compared to the broader population, economically disadvantaged groups are more exposed to these risks and possess the least resources to manage and recover when emergencies arise (Churchill, 2006). So, micro insurance is designed with the poor and their hazardous conditions in mind.

Micro insurance is a system that provides financial security to low-income individuals and groups by covering certain risks in return for premiums. It operates based on standard insurance principles but is tailored to cater to the needs of people who typically cannot access conventional insurance services (Tan & Allen, 2012).

The micro life insurance policy has a larger role in India. The policy was implemented in 2005 as a as a regulation by the IRDAI, and after that, it became widespread throughout the country. Over the years, the scheme has insured more lives and attracted a growing number of policy holders. However, the micro insurance penetration and density are much higher in case of the group insurance scheme than the individual policy because in the group scheme, the level of risk and the rate of premium are lower. Both the public and private sector insurers have a great role on the supply side, but the LIC provides more services in the micro insurance policy. NGOs, SHGs, MFIs, and other MI insurers have a great role in providing the micro insurance scheme to the people.

Micro insurance product is specially designed to insure people in low-income groups and provide them with a risk-free life. It became inevitable as it provided security to the risk-prone people living in low-income and poverty. Microinsurance provides safety and security for the poor section against unprecedented risks and uncertain situations.

India is recognized as a dynamic market and a leader in establishing regulatory guidelines for Micro Insurance globally. This form of insurance is aimed at enhancing the sustainable livelihoods of impoverished communities. The opening up of the insurance sector and governmental initiatives have paved the way for Micro Insurance to expand its reach to a substantial portion of the economically disadvantaged, including those in the informal sector. Despite these efforts, the penetration of micro insurance remains relatively low in India. The market is predominantly driven by supply. Factors such as product design, streamlined underwriting processes, distribution channels, raising awareness, simplifying premium payments, straightforward claim procedures, and the effective utilization of modern technology are essential for the success of the micro insurance sector (IRDAI, 2017).

The distribution and provision of micro insurance is a challenging task as the customers are not very literate. In 2005, the concept of a “micro insurance agent” was introduced for better distribution of insurance products to the poor sections

NGOs, SHGs, MFIs, NBFCs, district cooperative banks, regional rural banks, urban cooperative banks, primary agricultural cooperative societies, and other cooperative societies are the major providers of micro insurance products. All the institutions providing micro insurance products must be regulated and licensed by RBI regulations.

As per the regulations, the annual premium shall not exceed Rs 6,000 p.a. in a micro variable insurance product under the Non-Linked Non-Par platform of the Insurance Regulatory and Development Authority of India (IRDAI).

Table 1. Coverage amounts of micro insurance products

Type of Cover	Maximum Amount of Cover	Term of Cover Min.	Term of Cover Max.	Minimum Age at Entry	Maximum Age at Entry
Dwelling and contents or livestock or tools or implements or other names assets or crop insurance - against all perils	Rs. 1,00,000 Per Asset/ Cover	1 year	1 year	N.A.	N.A.
Health Insurance Contract (Individual)	Rs. 1,00,000	1 year	1 year	Product Specified	Product Specified
Health Insurance Contract (Family/Group)	Rs. 2,50,000	1 year	1 year	Product Specified	Product Specified
Personal Accident	Rs. 1,00,000	1 year	1 year	Product Specified	Product Specified

Source: IRDAI (Table 1 is taken from the IRDAI annual report)

Table 1 depicts the types of coverage provided by the micro insurance insurers in India. It provides life as well as health and also the general insurance products. The maximum amount of coverage for each type is mentioned in the table. The terms of cover for each product are 1 year. The minimum and maximum age to purchase this insurance depends upon the specification of the product and so on.

The insurance sector has progressed much over the years because of increasing market demand. Although mainstream insurance policies are more successful in ensuring people's lives, there are still some deprived sections of society who are unable to guarantee their uncertain future with a huge premium cost. Micro insurance is a type of insurance that provides life assurance at a minimal premium cost. Studies are found to be more focused on mainstream insurance than micro insurance. So, micro insurance sectors also need that much attention and studies must be done on their current status in an economy as well as their utilization and impact on the targeted population.

From the above literature reviews, it is found that there are a few studies conducted on the impact of micro insurance on poverty reduction and also on the current scenario of the micro insurance in India. So, the gap is found on the basis of the number of studies on its trends and status in India. The role of micro insurance in economically weaker sections of India is also a matter of question. So, to deal with all these gaps, the following objectives are taken accordingly. This study will depict the current trends and status of the micro life insurance in India and also examine the determinants and impact of micro insurance among the economically weaker sections of society.

2. Methodology

The study is based on secondary data collected from the annual report of IRDAI from 2007-2008 to 2018-2019. Number of individual policies, number of group schemes, individual premium, group premium, and number of lives covered, total number of individual claims settled, total group claims settled, and total numbers of agents are taken as variables. Descriptive statistics, tables, figures, and charts are used to analyze the data with the help of MS Excel software.

3. Results

Our result is subdivided into three parts which includes the interpretation and discussion of the study and the other parts are the findings and results which will provide a comprehensive idea about this paper.

3.1 Interpretations and Discussions

In India, there are a total of 44 micro life insurance products from 16 life insurers available on the market for sale as of 31.3.2019. Of these 44 products, 24 are individual products, and the remaining 20 are group products (IRDAI, 2021). Micro insurance is designed to assist the poor. India is a developing country in which the majority of the population belongs to the economically weaker sections. In 2005, IRDAI notified the micro insurance regulations to increase the penetration of the economically weaker sections. Micro insurance provides insurance policies at an affordable price for rural and urban poor people.

The data on micro insurance was collected from the annual report of the IRDAI for the years 2007-2008 to 2018-2019. On the basis of the data, the trends of micro on various grounds are presented below.

The individual policies and the group schemes of micro products are presented below through the column diagram to compare the yearly individual policies and also the group schemes as well.

The number of individual policies increased from the years 2007-2008 to 2012-2013, followed by a sharp decline in the number of policies. From 2014-2015 onwards, there has been no significant change in Figure 1.

The number of group schemes has also a falling trend over the period of time. Unlike the individual policy, there is not a sharp decline but rather a slight decrease in the Figure 2.

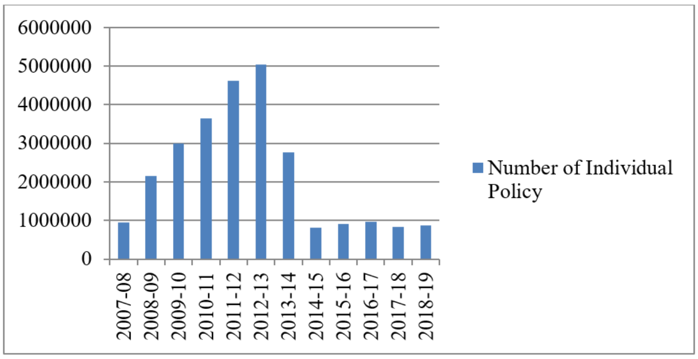

Figure 1. Number of individual policies
Source: IRDAI annual report (It is prepared by the author)

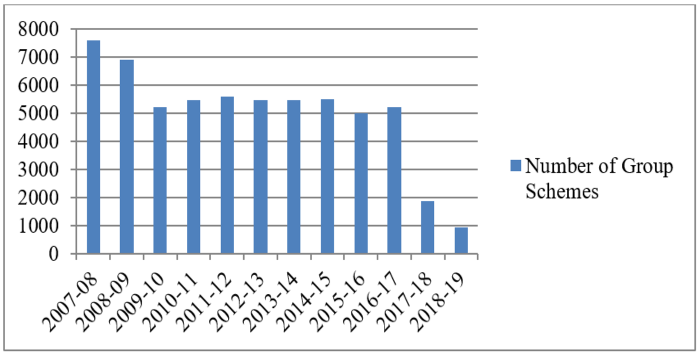

Figure 2. Number of group schemes
Source: IRDAI annual report (It is prepared by the author)

Figure 3 depicts that the total number of lives covered under the micro life insurance has shown a positive, increasing trend over the years. In comparison to the years 2007-2008, the total number of lives covered under 2018-2019 has increased significantly, which shows that the micro life insurance is becoming more widespread over time.

In Figure 4, the total number of lives covered under the micro insurance has increased through the years. From 2007-2008 to 2018-2019, there was a significant rise in the number of lives covered under micro life insurance. The line of the growth rate of total lives covered shows an increasing trend, which is not a smooth line over the years.

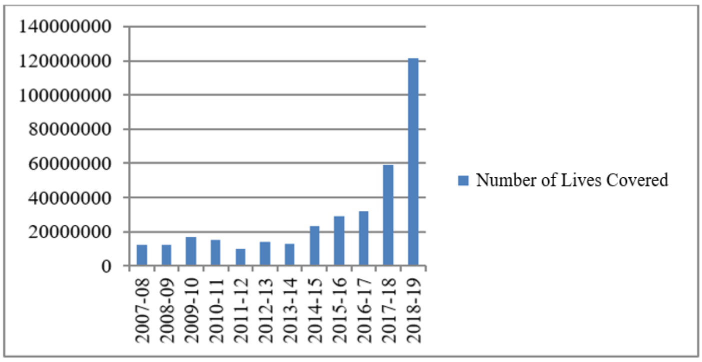

Figure 3. Numbers of lives covered
Source: IRDAI annual report (It is prepared by the author)

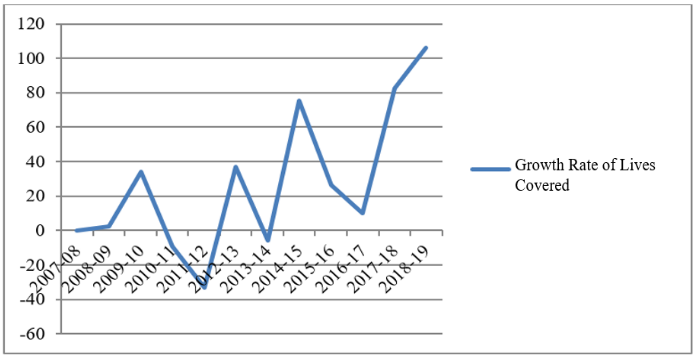

Figure 4. Growth rates of lives covered
Source: Author's own estimation

There has been an increase in the number of agents in the micro insurance business over a period of time. The increasing number of agents shows that the micro life insurance business is doing well over time. It portrays a positive trend in the micro life insurance sector.

The total number of micro insurance agents increased sharply from the years 2007-2008 to 2018-2019 due to the increased demand and popularity of micro insurance products shown in Figure 5.

The role of agents from the LIC and private insurers is significant in the insurance sector. In comparison with the private insurers, the LIC has a larger role in the insurance business. A greater number of agents belong to the LIC industry than private insurers.

Figure 6 depicts the number of insurers increased throughout the years. The total number of LIC insurers increased more in comparison to the private insurers shown in figure.

The number of individual life insurance premiums shows dynamic progress over the years of time, i.e., in the initial years it shows an increasing trend, and again, in the mid-years it has a slow declining trend, then a drastic fall in the total premium collection, and eventually the total amount of premium is settling again.

The trend line of the individual premium is a decreasing line from 2009-2010 to 2014-2015. But after 2014-2015, there was an improvement and an increasing trend in the individual premium.

The amount of individual premium has not grown much over the years. It only showed a significant rise in the trend in the year 2009-10 and then it witnessed a declining trend over the years till 2014-15 and then a stationary trend afterwards shown in Figure 7.

The trend line of the growth rate of individual premium depicted the same picture which only has sharp peak in the year 2009-2010 and a low growth till 2018-2019 shown in Figure 8.

The total amount of group premium has a very drastic change in trend, and it has a positive number. The total amount of group premiums was very high in 2018-2019 in comparison to 2007-2008, which shows that the interest of people in group life insurance increased in an increasing manner over the years.

Unlike individual premiums, group premiums have an increasing trend over time. From 2007-2008 to 2013-2014, the growth rate was neutral; however, after that, there was an increase, and in 2018-2019, the rate of increase was very high in comparison to the preceding years.

Figure 9 highlights the growth and sudden rise in the total amount of group premium unlike the individual premium. The group insurance has done really well and there is a sudden increase in the group premium figure in the year 2017-2018 and 2018-2019 which is very significant.

The trend line of the growth rate of group premium witnessed a flat trend till 2017-2018 and a sharp peak in the year 2017-2018 and 2018-2019 shown in Figure 10.

The total number of individual policies was very low and also showed a declining trend over the years. The number of individual micro life insurance claims shows a downfall, except in the years 2008-2009.

Over a period of time, the settlement of the individual claim is very low in comparison to the group claim. Except for 2008-2009, the number of individual claim settlements is not significant; rather, it is too low, but the number is somewhere high, and there is an increasing trend in group claim settlements.

Group life insurance is usually offered through an employer and costs nothing or nominal amounts for the insured. Its coverage is minimal and is offered to everyone, whereas individual life insurance is costly and has higher payouts. So, the demand for group life insurance is greater than that for individual life insurance. The growth of group premiums and group settlements is also greater than the individual ones.

Figure 11 depicts the total number of individual claims or the number of policies has a very flat trend except the year 2008-2009 which recorded the highest number of individual claims.

Unlike the individual claims and number of policies, the total number of group claims witnessed significant changes throughout the years and has a sharp increasing trend in the year 2018-2019 shown in Figure 12.

The role of agent is crucial in the insurance business, especially in the field of micro insurance. The participation of the public and private sectors and also the role of NGOs, SHGs, MFIs, and BCs are found to be significant from the data. Table 2 depicted that, there is a growing trend in the number of from 2016-2017, the micro insurance policies were provided through NGOs, SHGs, MFIs, BCs, and other MI agents. A larger percentage of micro insurance policies are provided by other micro insurance agents in comparison to the NGOs, SHGs and MFIs which showed a decreasing figure.

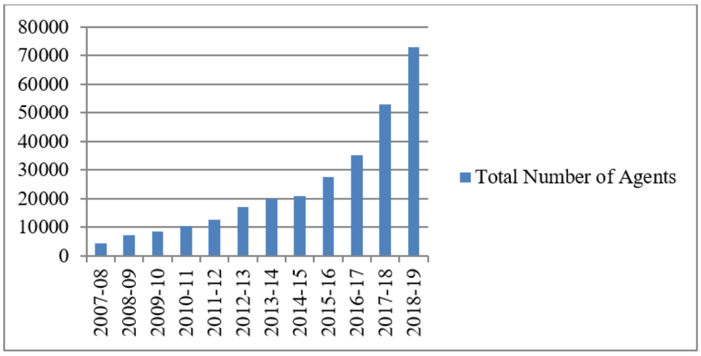

Figure 5. Total numbers of agents
Source: IRDAI annual report

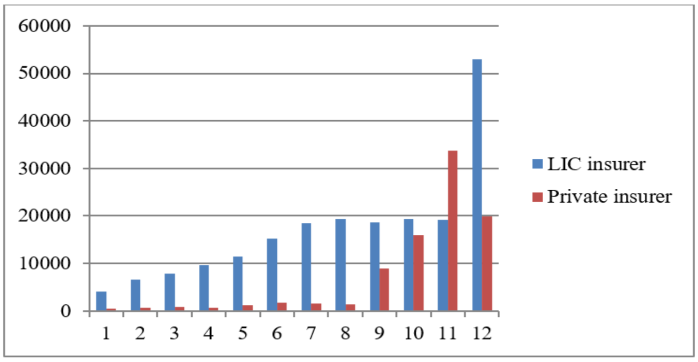

Figure 6. Comparison between the LIC and private insurers
Source: IRDAI annual report

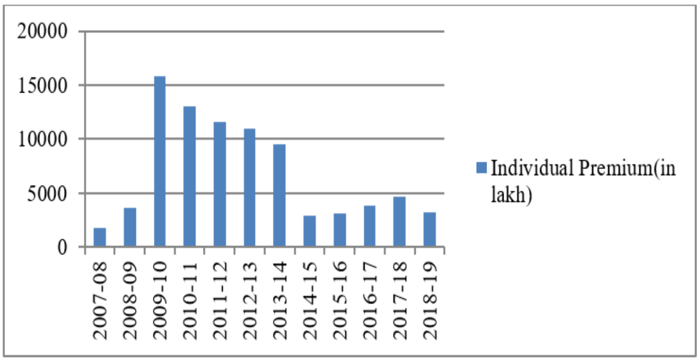

Figure 7. Individual premiums (in lakh)
Source: IRDAI annual report

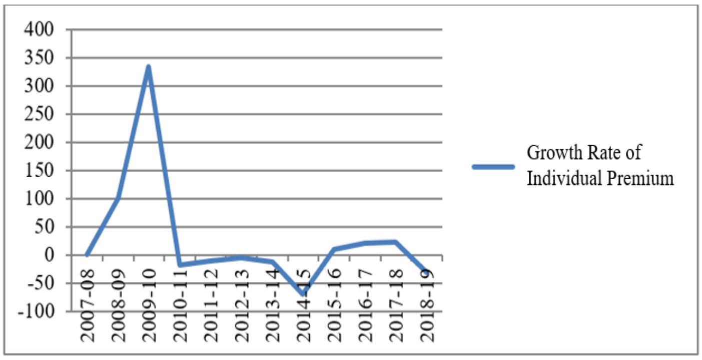

Figure 8. Growth rate of individual premium
Source: Author's own estimation

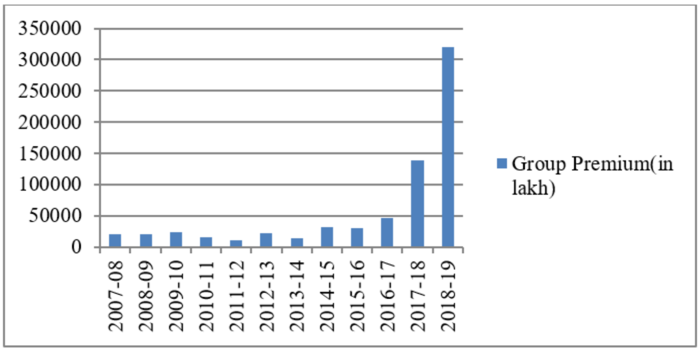

Figure 9. Group premiums (in lakh)
Source: IRDAI annual report

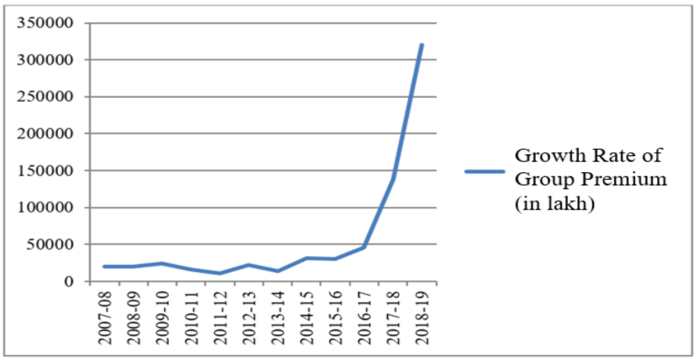

Figure 10. Growth rate of group premium (in lakh)
Source: Author's own estimation

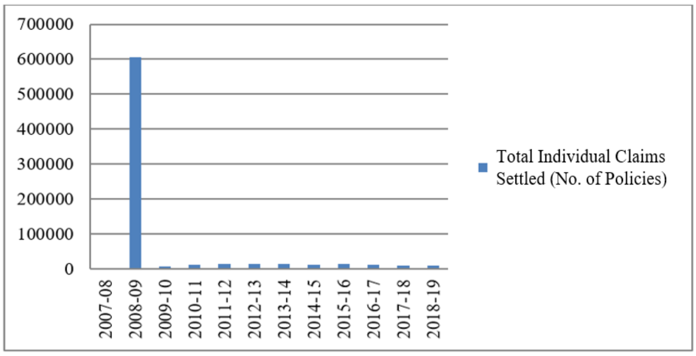

Figure 11. Total individual claims settled (No. of policies)
Source: IRDAI annual report

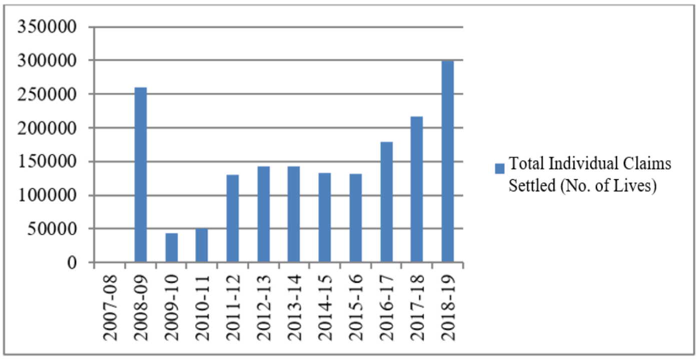

Figure 12. Total group claims settled (No. of lives)
Source: IRDAI annual report

Table 2. Diversification of total number of agents

Year	Total No. of Agents	NGOs	SHGs	MFIs	BCs	Other MI Agents
2016-2017	35200	7646	389	359	80	26726
2017-2018	52907	6713	358	320	113	45403
2018-2019	72857	6551	364	291	146	65499

Source: IRDAI annual report

Life is risky for the poor in developing countries. Illnesses, natural disasters, unemployment, and accidents affect this segment of the population more severely than others due to their lack of formal insurance and their limited social safety nets, among other reasons. Many rely on informal transfers from friends, families, and relatives; however, these transfers often fall short of what is required (Fafchamps & Moser, 2003). Poor households in developing countries face large and varied risks. For example, many agriculture-dependent households are at risk of drought- or flood-induced crop failures or livestock deaths, and a household's income can plummet if its highest earner becomes ill and cannot work even for illnesses that are preventable or treatable at low cost (Bauchet, 2014). With the changes in financial services and the growing financial set-up, micro insurance products are designed to help the economically weaker sections of society. The demand for micro insurance products is influenced by various socio-economic factors, demographic factors, religious factors, risk and shock factors, etc. The review of various pieces of literature on the theme will enhance the idea. Apart from this the profitability of micro-life insurers operating in Nigeria is found to be positively influenced by the level of interest rates in the economy (Olaosebikan, 2013).

The socio-economic factors are the ones that affect the ability to make any healthy decision. The socio-economic factors are income, education, employment, social support, etc. These factors play a critical role in any decision-making process. Socio-economic conditions significantly influence an individual or household's decision-making process.

In different studies, the demand to purchase a micro insurance product and the level of education were also found to be correlated with the purchase of micro insurance products. His or her educational qualifications and level of understanding reflect on his or her choice of product. The level of education positively affects the demand for micro insurance (Eling et al., 2014; Giesbert et al., 2011; Huber, 2012; Nandru et al., 2016; Tome & Selvam, 2012). Whereas people have low confidence in micro insurance, weakness in understanding the micro insurance due to a lack of education as compared to educated people (Tome & Selvam, 2012). Though the level of education is positively related to the demand for micro insurance, but the question still arises about the poor people who are not so educated. Micro insurance is the insurance basically deals with the poor who lack education and income. So, the person with less education may opt for a micro insurance product as well.

Financial literacy is the state of being literate about the use of financial services. A person with better financial opportunities will choose a better insurance product if he or she is financially literate. So, financial literacy was found to be a great predictor of purchasing a life insurance product. The higher the level of financial education, the greater the demand for micro insurance (Eling et al., 2014; Huber, 2012). But it is even possible that people with less financial knowledge demand for micro insurance through NGOs, SHGs, etc. The demonstration effect can also be a cause of demand for microinsurance. Rainfall conditions during the policy's expiration month influenced repurchases. Factors like financial literacy, such as availing of credit and membership in any SHGs, promote the idea and interest of saving motives, which also affect the repurchases of micro insurance (Sane & Thomas, 2020**).**

Family size is also a predictor of micro insurance products. The family with more members is unable to pay the insurance premium in comparison to the family with fewer members (Tome & Selvam, 2012). In a contract, the larger the family, the greater the demand for micro insurance if the number of income earners is higher in that family in comparison to a family with fewer family members.

Though the micro insurance product is designed for poor people, the matter of concern is its availability and accessibility. The person who is relatively less poor and has more income and is economically more capable and wealthier has some great chances of purchasing a life insurance product (Bendig, 2012; Eling et al., 2014; Huber, 2012; Nandru et al., 2016). But the person with relatively more income and wealth may not go for the micro insurance product; rather, they will go for some other insurance policies with higher premiums, better savings, and better outcomes.

Age also affects the demand for microinsurance. There is a certain age limit within which a person can purchase a micro insurance product. By relating the age to the life cycle hypothesis of Ando and Modigliani, the life cycle has a significant impact on the consumption of micro insurance. A study found that age and life cycle have a negative impact on the demand for micro insurance product (Bendig, 2012). Again, further research on this topic reveals that if mature children can substitute for risk protection by earning additional income, it can positively impact the life cycle (Huber, 2012). The division of age, like the working-age population, may have the chance to insure more than the non-working population. So, there is a positive impact of age, which is an important demographic factor influencing the demand for micro insurance (Eling et al., 2014).

Literature also found that personal factors like gender also have some influence on the purchase of a micro insurance product. Being male or female, the participation and demand for micro insurance product also differ, with the participation rate of males being greater than that of females (Eling et al., 2014). However, this concept loses its validity if females are self-employed. In these evolving times, a more mature mindset and the absence of a gender gap may prevail in this field.

The religious factor was also found to be a predictor that influenced the demand for micro insurance. The status of being a Hindu or a Muslim affects the mindset of the people toward purchasing a micro insurance product (Bendig, 2012; Eling et al., 2014). In contrast, the growing times and modern era eventually changed the orthodox mindset of the people. Today, people are adopting new things and getting free from bias.

The risk factors imply illness, death of the income earner, death of a family member, accident, theft case, drought, social political disturbances, structural factors like seasonality, inflation, natural calamity, etc. Risk is the chance to lose something. The shock factors refer to the loss of a job, loss of assets, income, household, etc. The demand for micro insurance is significantly affected by these shock factors as well as the risk factors. Micro insurance plays a vital role in reducing risk and shock impacts (Cohen & Sebstad, 2005). Another study revealed that households with risk aversion tend to be less inclined to purchase micro life insurance products. Risk-averse households and households that consider themselves more exposed to risk than others are found to be less likely to participate in insurance (Giesbert et al., 2011). Due to adverse selection and the life cycle effect, the scenario is completely different. But again, another study found that it is the risk-averse nature that forces an individual to take up a micro insurance product (Eling et al., 2014).

However, the impact of shock and risk factors changes people's mindset and attitude towards the demand for insurance products. A study found that natural disasters like floods, personal losses, and observations of other losses were predictors of the demand for life insurance. The people affected by the flood previously demanded more microinsurance than the non-affected people (Turner et al., 2014).

People leave some money to save for their future generations and to secure the lives of their family and children after their deaths, which is known as the bequest motive. The demand for micro insurance is positively related to bequest motives like the number of children and dependents (Bendig, 2012).

In this context, savings also predict the demand for micro insurance. The person who has the motive to save for his or her future or for family purposes demands a microinsurance product. An economically backward household or a poor person may go for a small saving through the micro insurance to secure his family from unforeseen accidents and to secure the future (Nandru et al., 2016).

The demand for insurance as well as micro insurance products is not only determined by socioeconomic factors, demographic factors, and external factors; it is also influenced by the performance and services provided by the insurance company, product understanding, client trust attitude, and brand recognition (Huber, 2012). The mindset and demand for micro insurance product are affected by the subsidy amount given on the insurance premium or the price of the insurance product (Bauchet, 2014; Eling et al., 2014). The information provided by the insurance company during the purchase of life insurance also affects the demand for micro insurance (Bauchet, 2014).

Apart from the subsidy given on micro life insurance, the subsidy is also given on the premium given on micro health insurance products. Literature has found that the demand for health-related micro insurance is affected by the price of the product (Oberländer et al., 2014).

The insurance company's informal risk-sharing nature, the quality of services they offer, and the risk exposure have some influence on customers' demand for microinsurance (Eling et al., 2014).

The role of insurance companies, insurers, and the services provided by the insurance company play a great role in the demand for insurance. The micro insurance demand is also affected by the insurance services or supply side. Supply-side factors like the choice of a suitable product and distribution mechanism are found to be predictors of micro insurance (Nandru et al., 2016). Though there are various supply-side mechanisms in the microinsurance sector that are responsible for the growth of the business, the inefficient agents, lack of accessibility to the poor, and lack of skill in persuasion are responsible for its malfunctions.

On the basis of different literature, factors like education, financial literacy, age, family size, gender, wealth, savings, and bequest motives are more responsible for the demand for micro life insurance.

By discussing the factor of education, the people who have higher education are aware of the benefits and implications of micro life insurance, and they opt to purchase a micro life insurance product. So, education, or the years of schooling, positively affects the motive to purchase the micro life insurance product. Age also plays a vital role, as the working-age population has a higher chance of purchasing a micro life insurance product than the people who belong to the non-working group. Financial literacy is also found to be an influencing factor that positively affects the purchasing of micro life insurance products, as people who are more financially aware have a greater chance of having a micro life insurance product. Family size negatively affects the demand for micro insurance product as larger families have a smaller chance of purchasing a micro insurance and vice versa. Gender also plays a vital role, as a male person has a higher chance of purchasing a micro insurance product than a female. Apart from these factors, wealth, savings, and bequest motives were also found to be major predictors of the demand for micro insurance. To make a future saving and also to save for the future generation, people also prefer these micro insurance products where they can save as per their economic capability.

Micro insurance aims to assist the impoverished and shield them from unheard-of risks. To purchase an insurance product with a low premium and to secure the unforeseen future, poor people also show their interest in purchasing the micro insurance product.

The poor in developing countries are exposed to numerous risks in their daily lives. These risks can be life-cycle-related, economic, political, social, or natural disasters like floods or climate change. However, the capacity of the poor to deal with such risks is very limited (Radermacher & Brinkmann, 2011).

Apart from life insurance services, health insurance helps the poor access health care services at a very affordable rate. The micro insurance for health system targeted the poor and ultra-poor to provide basic health care services at a very affordable rate (Werner, 2009). The micro health insurance also plays a vital role in reducing the rate of poverty (Hamid et al., 2011).

The provision of micro insurance through various programs protects the economically weaker sections. Poor people are more vulnerable to any economic hazard, so micro insurance offers financial protection by minimizing OOP, catastrophic health expenditure (CHE), non-medical consumption expenditure, and hardship financing (Savitha & Kiran, 2015). A study further found that the micro insurance not only reduces the poverty ratio but also helps in minimizing the level of inequality in urban and rural disparities, and overall, it enhances the per capita income and economic growth of a country (Singh & Gangal, 2015). Though some studies found micro insurance is useful and relevant for the economically weaker sections, the problem is with its availability and accessibility. There are various micro insurance schemes, but they are still limited to a particular region. Its wide spread and availability are needed, and the government should provide various mediums through which it can be easily available to the needy.

Micro insurance products are designed in such a way that they can assist the poor and insure their lives with very little cost. Literature found that the micro insurance product reduces OOP, i.e., a person with a micro health insurance product makes a smaller amount of expense on healthcare as the insurance policy helps them manage medical expenses. CHE, like unprecedented health risks and unforeseen health hazards, can be managed through the micro insurance product. Non-medical consumption expenditure and hardship financing are also found to be managed by the micro insurance which has become very helpful for the economically weaker sections of society

Micro insurance is helpful for the poor as it insures their lives comparatively at a lower cost than mainstream insurance. As it helps in providing financial security for the unforeseen future, the poverty rate has decreased. The economically well-off sections ensure their lives through insurance with a higher premium and enjoy the benefits, while the economically weaker sections are privileged enough to go for micro insurance product which are equally beneficial to them with a lower premium. Ultimately, it reduces inequality and promotes per capita income and the economic growth of an economy.

3.2 Findings

The number of both individual policies and group schemes has a declining trend over the years; however, it is very low in the case of the number of individual policies. The total number of lives covered under the micro life insurance scheme has been increasing throughout the years, and in 2018-2019, it was very high. The number of agents of the micro life insurance policy has increased over the years, and the participation from the LIC insurer is very high in comparison to private insurers. The total individual premium is not so high in comparison to the total group premium. The total number of claims settled under group insurance is high in comparison to individual insurance claims.

Factors like education, age, family size, financial literacy, and wealth positively affect the demand for micro insurance product. Apart from these factors, gender, saving behavior, and bequest motives were also found to be determinants of micro insurance product.

To gain knowledge about the impact of micro insurance on poverty, various pieces of literature are being reviewed. From the review of various literatures, it was found that the micro insurance has a significant impact on the poor in India. The micro insurance policy has a significant impact on the poor people in India. The purchase of a micro insurance reduces OOP and hardship financing. The micro life insurance financially protects the poor and reduces inequality and poverty. It increases per capita income and economic growth by minimizing the poverty ratio.

4. Conclusion

Micro insurance is designed to help the poor and protect them from unprecedented risks. The number of both individual policies and group schemes has had a declining trend over the years, while the total number of lives covered under the micro life insurance scheme has increased throughout the years. The number of agents of the micro life insurance policy is increasing, and the role of the of the LIC insurer is found to be very high in comparison to that of private insurers. The total individual premium is not so high in comparison to the total group premium. The total number of claims settled under group insurance is high in comparison to individual insurance claims. Education, age, financial literacy, family size, wealth, gender, saving behavior, and bequest motives are found to be the determinants of micro insurance. To purchase an insurance product with a low premium and to secure the unforeseen future, poor people also show their interest in purchasing the micro insurance product. The poor in developing countries are exposed to numerous risks in their daily lives. When discussing the impact of microinsurance in India, its role is very significant; however, it reduces the poverty ratio and inequality and accelerates the pace of growth by increasing per capita income and providing financial protection to the poor.

The micro insurance policy is soothing and based on low premiums, but it is not properly accessible to economically vulnerable societies. The interior regions, a lack of proper communication, language barriers, a lack of education, and poor management at the decentralized level are the major obstacles to its proper implementation. The IRDAI should get more strict regulations and a proper channel to provide these insurance facilities to the actual needy and low-income earners. This could be done through more awareness programs, social media, radio campaigns, social media, print media, advertisements, etc.

Data Availability

The data used to support the research findings are available from the corresponding author upon request.

Conflicts of Interest

The authors declare no conflict of interest.

References

Ahsan, S. M., Khalily, M. B., Hamid, S. A., Barua, S., & Barua, S. (2013). The micro insurance market in Bangladesh: An analytical overview. *Bangladesh Dev. Stud.*, *36*(1), 1-54.

Bauchet, J. (2014). Price and Information type in life insurance demand: Experimental evidence in Mexico.

SSRN. http://doi.org/10.2139/ssrn.2474620.
Bendig, M. (2012). Participation in micro life insurance: The role of bequest motives in Sri Lanka. In H. Sautter & S. Klasen (Eds.), *Empirical Analysis of Participation Patterns in Microfinancial Markets: The Cases of Ghana and Sri Lanka* (pp. 85-116). Peter Lang AG. http://www.jstor.com/stable/j.ctv9hj7xt.9
Churchill, C. (2006). *Protecting the Poor: A Microinsurance Compendium*. International Labour Organisation.
Cohen, M. & Sebstad, J. (2005). Reducing vulnerability: The demand for micro insurance. *J. Int. Dev*., *17*, 397-474. https://doi.org/10.1002/jid.1193.
Eling, M., Pradhan, S., & Schmit, J. T. (2014). The determinants of microinsurance demand. *Geneva Pap. Risk Insur. Issues Pract.*, *39*, 224-263. https://doi.org/10.1057/gpp.2014.5.
Fafchamps, M. & Moser, C. (2003). Crime, isolation and law enforcement. *J. Afr. Econ.*, *12*(4), 625-671. https://doi.org/10.1093/jae/12.4.625.
Giesbert, L., Steiner, S., & Bendig, M. (2011). Participation in micro life insurance and the use of other financial services in Ghana. *J. Risk Insur.*, *78*(1), 7-35. https://doi.org/10.1111/j.1539-6975.2010.01405.x.
Hamid, S. A., Roberts, J., & Mosley, P. (2011). Can micro health insurance reduce poverty? Evidence from Bangladesh. *J. Risk Insur.*, *78*(1), 57-82. https://doi.org/10.1111/j.1539-6975.2010.01402.x.
Huber, F. (2012). Determinants of microinsurance demand: Evidence from a micro life scheme in Indonesia. [Mastersthesis, School of Economics, Alto University]. https://aaltodoc.aalto.fi/items/39fa79a7-6274-4cd9-bcf8-4ce9f90a675d
IRDAI. (2017). *Annual Reports 2017-18*. Insurance Regulatory and Development Authority of India. https://irdai.gov.in/annual-report
IRDAI. (2021). *Annual Reports 2018-19*. Insurance Regulatory and Development Authority of India. https://irdai.gov.in/annual-reports
Nandru, P., Anand, B., & Rentala, S. (2016). Micro insurance in India: A tool for financial inclusion. *Int. J. Adv. Sci. Res. Dev.*, *12*, 36-38.
Oberländer, L., Schleicher, M., Savadogo, G., Souares, A., Sauerborn, R., & Klonner, S. (2014). The effects of subsidised micro health insurance on insurance demand and welfare outcomes in rural Burkina Faso. *Sav. Dev.*, 77-139.
Olaosebikan, O. (2013). The determinants of the profitability of micro life insurers in Nigeria. *Geneva Pap. Risk Insur. Issues Pract.*, *38*, 140-159. https://doi.org/10.1057/gpp.2012.18.
Radermacher, R. & Brinkmann, J. (2011). Insurance for the poor? First thoughts about micro insurance business ethics. *J. Bus. Ethics*, *103*(1), 63-76. https://doi.org/10.1007/s10551-012-1223-8.
Sane, R. & Thomas, S. (2020). From participation to repurchase: Low income households and micro-insurance. *J. Risk Insur.*, *87*(3), 783-814. https://doi.org/10.1111/jori.12288.
Savitha, S. & Kiran, K. B. (2015). Effectiveness of micro health insurance on financial protection: Evidence from India. *Int. J. Health Econ. Manag.*, *15*, 53-71. https://doi.org/10.1007/s10754-014-9158-5.
Singh, K. & Gangal, V. K. (2015). Micro insurance in India: A gizmo to vehicle economic development & alleviate poverty and vulnerability. *IOSR J. Econ. Fin.*, *6*(2), 14-20. https://doi.org/10.9790/5933-06211420.
Tan, V. & Allen. (2012). Microinsurance. In *Advocates for International Development Lawyers Eradicating Poverty Working Paper* (pp. 1-4). https://docplayer.net/17063394-Microinsurance-virginia-tan-allen-overy-llp-protection-risk.html
Tome, T. R. & Selvam, V. (2012). Micro insurance: Illuminating the real challenges in India. *Int. J. Recent Sci. Res.*, *3*(8), 681-686.
Turner, G., Said, F., & Afzal, U. (2014). Microinsurance demand after a rare flood event: Evidence from a field experiment in Pakistan. *Geneva Pap. Risk Insur. Issues Pract.*, *39*, 201-223. https://doi.org/10.1057/gpp.2014.8.
Werner, W. J. (2009). Micro-insurance in Bangladesh: Risk protection for the poor? *J. Health Popul. Nutr.*, *27*(4), 563-573. https://doi.org/10.3329/jhpn.v27i4.3402.