International Journal of Social Science and Economic Research

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

MICRO INSURANCE A CRITICAL NEED FOR THE POOR IN ODISHA

[1]Jeeban Jyoti Mohanty, [2]Sudhakar Patra

[1]Ph.D Research Scholar, Department of Economics, Ravenshaw University, Cuttack- 753003, Odisha, India.

[2]Professor & Head, Department of Economics, Berhampur University, Berhampur-760007, Odisha, India.

ABSTRACT

Micro insurance is gaining popularity as on important tool to assist the poor in managing their risks and vulnerabilities. The poor generally face many risks that make them further vulnerable, often one adding to the other. There is an increasing recognition of poor households' need for protection against risks. Micro insurance reduces the vulnerability of poor households and increases their ability to take advantage of opportunities. Also, it reduces the impact of household losses that may worsen their poverty situation, thus playing a vital role in curbing poverty becoming incremental in nature.

The paper aims to understand the coping strategy and appropriate tools to assist the poor in managing risks and vulnerabilities. The paper has also made an attempt to delve into the need and relevance of micro insurance in Odisha and the key roles played by all the stakeholders in the micro insurance market in the state. Further, this paper also brings out the key issues and challenges in expanding micro-insurance services in the state and suggests appropriate measures in order to penetrate the rural market better and close the gap. The analysis is done using secondary resources and the scope of the study is primarily in the context of India with special reference to Odisha.

Keywords: Social security, financial inclusion, vulnerability, and microfinance institutions.

1. INTRODUCTION

In India, it is observed that poverty and risks often go side by side in the lives of poor. From time immemorial, the poor people have developed various kind of indigenous systems and practices of coping mechanisms against financial risks. However, in the last one-decade provision of access to financial services has been the most noteworthy development in addressing risks of the poor households. Considered as an integral part of package of financial services, micro insurance has been used for bringing greater financial inclusion among the poor. Insurance services extend the coping capacity of the poor to a next level of leverage complementing the role of savings and

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

credit and providing synergistic effect. They provide greater economic and psychological security to the poor besides offering potential for profitability and sustainability of microfinance programmes. In order to help the poor to mitigate various emergencies, Government departments, NGOs, CBOs, and MFIs have been collaborating with mainstream insurance companies to distribute micro insurance products. To cope with risks of ill-health, crop failure, loss of livestock, death of a family member, loss of income, and employment is much harder on the part of poor and low-income groups than others. The insurance sector is yet to take over the large sections of rural and urban poor, in designing and distributing small value premiums which can mitigate above risks.

2. COPING MECHANISM OF THE POOR

People living with poverty, throughout the ages, have developed mechanisms to deal with risks affecting their lives. These are essentially the same as the risks faced by better-off persons: illness, death, disasters, loss of property, and loss of income earning capacity. But whereas the better-off have access to sophisticated insurance schemes and often have a financial buffer to overcome temporary set-backs, the poor usually lack both. In case of shock, they rely on coping mechanisms based on self-insurance: mostly informal and time-honored group based support systems. These are based on savings or on borrowing models. Ex-ante models manage risks before the event occurs, such as in the case of marriage or burial funds. Ex-post models manage risks after the occurrence of the event, such as borrowing from family, solidarity groups or money lenders.

These coping models function very well if the impact of the shock is limited; as in the case of theft of a goat or the decease of an elderly member of the family. The costs of replacing the goat or financing the burial are restricted and can often be covered by a loan or from savings respectively. The various field researches reveal that a general coping pattern linking direct impact with responses and future impacts. Their model, which is seen from the perspective of a micro-entrepreneur convincingly, shows that traditional coping mechanisms still function well if the stress level of the risk event is limited (low to medium). If, however, the stress level is high, the affected family cannot hope to overcome the damage and faces a serious decline in the quality of its life (Table-1).

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

Table 1: Coping Model of poor

	Immediate Impact	Responses	Secondary impact
Risk Event		**Low Stress**	
	Income loss	• Modify consumption • Improve budgeting • Call in small debts • Draw on group support • Draw on formal insurance	• Reallocate household resources • Reduce unnecessary expenditures • Temporary change of lifestyle
	Asset loss	**Medium Stress**	
		• Use saving • Borrow • Diversify income resources • Mobilise labour • Get help from friends • Shift business to residence	• Deplete financial reserves • Indebtedness – claim on future income flow • Long working hours • Interface with family life • Increased social obligation
	Need for Lumpsum of cash	**High Stress**	
		• Sell household assets • Sell productive assets • Run down business stock • Take children out of school • Default of loans • Reduce consumption	• Loss of productive capacity • Loss of income • Depleted assets • Untreated health problems • Social isolation • Loss of access to financial markets

The growing demand for micro-insurance may be explained in terms of looking for new coping mechanisms to deal with high-stress risk events. The role micro-insurance can play in developing such mechanisms conceptually also define its role in development. But that role actually extends further following basic economic logic. If people can shield off risks, they can borrow more for investment purposes, and ultimately create more jobs and wealth in their communities. In that sense, insurance has an economic acceleration function as well.

For many poor, it is not easy to distinguish between savings and insurance because both require payments before returns or benefits can be collected. And whereas the client keeps as a hen on her savings, she may not have the same hold on her insurance payments: these seem to disappear in the scheme beyond her control. It will be up to the scheme, not her if she ever will see anything back from her investment. After a considerable period of premium payments without receiving any benefits, it is indeed difficult for many to see the virtue of the insurance scheme. It

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

may work, but not for them. And it may get worse when in case there is a real risk event, the scheme tells the client that this particular risk was not insured.

3. REVIEW OF LITERATURE

The concept of micro insurance is a recent development in the financial industry which has evolved less than ten years ago. Due to its short history, the amount of academic literature on the topic is neither abundant nor undisputed. Currently, micro insurance is seen as the next step of financial integration of the poor after the microcredit programmes seem to become relatively well established. The previous research discussion is not geographically restricted to India, however. Specifics of the Indian micro insurance market are discussed in the analysis section.

Choudhari (2013) stated that access to safe, easy and affordable financial services to the poor and vulnerable groups, disadvantaged people in the society is so far largely remained concentrated around banking inclusion but the focus is fast shifting towards the inclusion of poor people in insurance also. The study also found that the goal of financial inclusion will remain unmet until the insurance needs of people particularly of those living in rural and semi-urban areas are met.

According to **Singh and Gangal (2015),** Micro Insurance is a vehicle for economic development by alleviating poverty and vulnerability. Micro insurance has increased the chances of economic growth for the poor (Apostolakis, 2015).

Ratna Kishore (2013) in his article pointed out that the market for micro insurance in India is enormous and remains untapped. The potential market size for micro insurance in India is estimated to be between Rs.62000 and Rs.84000 million. He has given a micro insurance business model for the existing insurance. He explains micro insurance as social security lower for the poor and brought out the problems and challenges in micro insurance.

4. OBJECTIVES OF THE STUDY

It has been felt by policymakers that financial inclusion will remain incomplete unless the initiative of insurance inclusion is simultaneously pushed to get greater penetration.

With this backdrop, the objectives of our study have been stated more precisely as follows:

1. To study the coping strategy and appropriate tools to assist the poor in managing risks and vulnerabilities.
2. To understand the need and relevance of micro insurance in Odisha and the key roles played by all the stakeholders in micro insurance market in the state.

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

3. To identify the issues and challenges in expanding micro-insurance services in Odisha and suggest appropriate measures in order to penetrate the rural market better and close the gap.

4.1 *Methodology*

The analysis is done using secondary resources collected from authentic sources viz. IRDA reports, SLBC Odisha, articles, journals, etc. The scope of the study is mainly in the context of India with special reference to Odisha.

5. UNDERSTANDING MICRO INSURANCE IN INDIA

Micro-insurance is the protection of low-income people against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved, to draw on a widely used definition. The technical aspects are not fundamentally different from commercial or co-operative insurance; the setting is though. Micro-insurance clients are often more exposed to risk and have fewer back-up facilities to deal with those. That is why the formal sector has traditionally shown little interest in servicing poor clients: they were considered uninsurable.

Micro insurance is commonly understood as a form of insurance suitable for poor with flexible option of cash payment, where a monthly premium starts as low as Rs.100, with insurance coverage of Rs.50,000 per person. Basically, it attempts to address two key requirements of extending social protection to the poor and offering a vital financial service to low-income households. It offers families living under or just above the poverty line a safety net and creates opportunities for economic development. It empowers people to withstand and adapt to situations that might otherwise threaten their livelihoods.

According to CGAP Working Group on Micro insurance (2003) defines “Micro insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved”[1]. Biener (2009) defined it as “Insurance for low-income people and businesses in developing countries characterized by low premiums and low coverage limits”.

5.1 Types of Micro Insurance in India

- **Health Insurance:** Health insurance provides coverage against illnesses and accidents resulting in physical injuries. MFIs have realized that expenditures related to health problems have been a significant cause of defaults and people's inability to continue

[1]Working Group on Micro insurance. (2003) Consultative Group to Assist the Poor (CGAP).

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

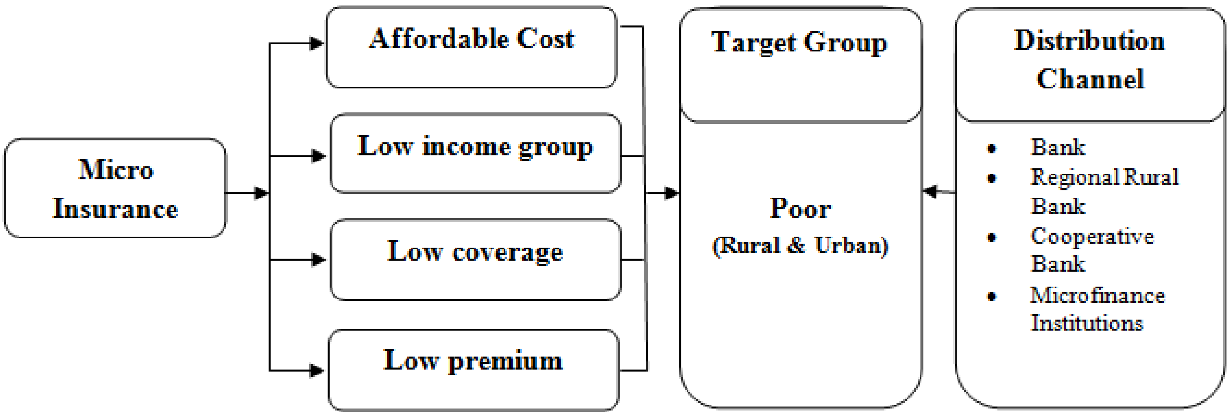
improving their economic conditions. Several MFIs have therefore, either started their own health insurance programs or have linked their clients to existing programs.

- **Life Insurance:** Life insurance pays benefits to designated beneficiaries upon the demise of the insured. There are three broad types of life insurance coverage: term, whole-life, and endowment. Term life insurance policies provide a set amount of insurance coverage over a specified period of time, such as one, five, ten, or twenty years. Whole life insurance is a cash-value policy that provides lifetime protection. This is hardly offered in low-income markets in the developing countries. Endowment life insurance pays the face value of insurance if the policyholder dies within a specified period.
- **Property Insurance:** Property insurance provides coverage against loss or damage of assets. The difficulty in this of insurance is the way to verify/assess the extent and occurrence of damage.
- **Disability Insurance:** Disability insurance in most cases is tied to life insurance products. It provides protection to the policy holders and their family, if they happen to contract any form of disability.
- **Crop Insurance:** Crop insurance typically provides policy holders protection in the event their crops are destroyed by natural calamities such as floods or droughts. Many such crop insurance programs were devised during 1970s to 1980sto improve the ability of rural farmers to repay loans from agricultural development banks (ADBs).
- **Disaster Insurance:** Disaster insurance is through a reinsurance arrangement that broadens the risk pool across countries and regions, and protects insurers against catastrophic losses.
- **Unemployment Insurance:** This insurance provides cash relief to individuals who become unemployed involuntarily and who meet certain government requirements. It also helps unemployed workers find jobs.
- **Reinsurance:** Reinsurance is the shifting of part or all of the insurance originally written by one insurer to another. This is a central feature of the operations of all commercial insurers.

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

Figure 1: Micro insurance products delivery channels



5.2 Micro Insurance penetration in India

In order to facilitate penetration of insurance to the lower income segments of population, Insurance Regulatory Development Authority of India had notified the micro insurance regulations in 2005. They provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to play its role in financial inclusion. The main thrust of micro insurance regulations is protection of low income people with affordable insurance products to help cope with and recover from common risks with standardized popular insurance products adhering to certain levels of cover, premium and benefit standards. These regulations allow Non-Government Organizations (NGOs) and Self Help Groups (SHGs) to act as agents to insurance companies in marketing the micro insurance products and also allow both life and general insurers to promote combi-micro insurance products (IRDA Annual Report 2017-18).

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

Table 2: Insurance Penetration and Density in India

Year	Life		Non-life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	15.7	2.53	4	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.1	5.2	0.6	38.4	4.8
2007	40.4	4	6.2	0.6	46.6	4.7
2008	41.2	4	6.2	0.6	47.4	4.6
2009	47.7	4.6	6.7	0.6	54.3	5.2
2010	55.7	4.4	8.7	0.71	64.4	5.1
2011	49	3.4	10	0.7	59	4.1
2012	42.7	3.17	10.5	0.78	53.2	3.96
2013	41	3.1	11	0.8	52	3.9
2014	44	2.6	11	0.7	55	3.3
2015	43.2	2.72	11.5	0.72	54.7	3.44
2016	46.5	2.72	13.2	0.77	59.7	3.49
2017	55	2.76	18	0.93	73	3.69

Source: IRDAI Annual Report 2017-18

5.3 Micro Insurance Service Providers & Delivery Models

Offered by most of the mainstream insurance companies, a number of micro insurance products are currently available in the market for the poor and low income group of people. These include both health risks (illness, injury, or death) and property risks (damage or loss) including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term insurance, death insurance, disability insurance, insurance for natural disasters, etc. As per the IRDA Annual Report (2017-18)[2] there are 52 insurance companies operating in India, of which 25 are in life insurance business and 27 in non-life business.

5.4 Potential market size of micro-insurance in India

[2]*IRDA Annual Report; 2012-13*

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

At the end of March 2018, there are 68 insurers operating in India; of which 24 are life insurers, 27 are general insurers, 6 are Standalone health insurers exclusively doing health insurance business and 11 are re-insurers including foreign reinsurer's branches and Lloyd's India.

Table 3: Business under Micro Insurance Portfolio during FY 2017-18

(Premium amount in lakh)

Sl.No	Insurer	Individual		Group		
		Individual	Premium (INR)	Schemes	Premium (INR)	Lives covered
1	Private total	274470	2917.02	968	75452.04	21586921
2	LIC of India	564541	1786.80	892	63184.98	37316017
	Industry Total	**839011**	**4703.82**	**1860**	**138637.02**	**58902938**

Source: IRDA Annual Report 2017-18

While the individual new business under the micro insurance segment for the year 2017-18 stood at 8.39 lakh new policies with a premium of INR 47.04 Crore, the lives covered under group business were 5.89 crore with a premium of INR 1386.37 crores. LIC contributed to the business procured in this portfolio by garnering 5.65 lakh individual policies and INR 17.87 crore of new business premium and in group insurance 3.73 Crore lives with 631.85 crore premium. The private sector contributed the remaining 2.74 lacs policies and INR 29.17crore premium in individual business and 2.16 crore lives and INR 754.52 crore premium under group micro business (Table 3).

5.5 Micro Insurance Players and Products in India

Providers of micro-insurance face three sets of specific challenges, relative to the insurance industry at large:

- Firstly, it requires specialised actuarial capacity in the light of lack of reliable statistical data;
- Secondly, as explained before, for poor clients the concept of insurance may be quite new or negatively loaded because of past experiences. It often takes time and effort for them to see the potential benefits of insurance;
- Thirdly, micro-insurance is quite demanding in terms of distribution: large numbers of clients paying small premiums for limited coverage is a different ballgame than handling few clients paying high premiums for top-end products.

Despite the odds, many agencies have become involved in micro-insurance. Presently, IRDAI has recognized 24 life insurance companies in India, out of which only 16 companies are

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

providing micro insurance products. There are 26 micro insurance products from these companies are being registered to offer their products in the market through various delivery models in India (Table 4). This clearly gives an idea of low attraction of majority of companies towards these products. Below is the list of micro insurance products along with the name of companies and its operation date.

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

Table 4: Micro Insurance Players and Products in India

Sl.No	Name of Insurer	Individual Category	Operation from	Group Category	Operation from
1	AVIVA Life Ins. Co. India Pvt. Ltd.	Aviva Nayi Grameen Suraksha-Micro Insurance Product	20-Mar-15	-	
2	Bharti AXA Life Insurance Co. Ltd.	Bharti AXA Life Jan Suraksha	16-Jul-13	-	
3	Bajaj Allianz life	Bajaj Allianz - Bima Dhan Surksha Yojana	04-Apr-07	Bajaj Allianz life Jan Surakshya Yojana	
		Bima Sanchay Yojana	04-Apr-07	Sampoorn Suraksha Kavach	
4	Birla Sun Life Insurance Co. Ltd.	BSLI Bima Kavach Yojana	21-Sep-01	-	
		BSLI Bima Suraksha Super	13-Aug-07		
		BSLI Bima Dhan Sanchay	13-Aug-07		
		BSLI Grameena Jeevan Raksha Plan	21-May-13		
5	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	-		Canara HSBC Oriental Bank of Commerce Life Insurance Sampoorna Kavach Plan	27-Jun-13
6	DHFL Pramerica Life Insurance Co. Ltd	-		DHFL Pramerica Sarv Suraksha	28-Jun-13
				DHFL Pramerica Sampoorna Suraksha	15-Jun-13
7	Edelweiss Tokio Life Insurance Co. Ltd	Raksha Kavach	20-Sep-13	-	
		Dhan Nivesh Bima Yojana	20-Sep-13	-	
8	HDFC Standard Life Insurance Co. Ltd.	Sarvgrameen Bachat Yojana	3-Jul-13	HDFC Life Group Credit Suraksha	
				HDFC Life Group Jeevan Suraksha	
9	ICICI Prudential Life Insurance Co. Ltd.	ICICI Pru Sarv Jana Suraksha	11-Sep-13	ICICI Pru Shubh Raksha Credit	
		ICICI Pru Anmol Bachat	11-Dec-13		
10	IDBI Federal Life Insurance Co. Ltd.	Termsurance Sampoorn Surksha Micro Insurance Plan	31-Oct-14	IDBI Federal Group Microinsuracne Plan	
11	Kotak Mahindra OM Life Insurance Ltd.	Kotak Sampoorn Bima Micro-Insurance Plan	2-Mar-15	Kotak Raksha Group Micro-Insurance Plan	
12	PNB MetLife India Insurance Co. Ltd.	Met Grameen Ashray	28-Jan-14		

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

13	Sahara India Life Insurance Co. Ltd.	Sahara Surakshit Pariwar Jeevan Bima	14-Mar-14		
14	SBI Life Insurance Co. Ltd.	SBI Life Grameen Bima	27-Nov-12	SBI Life Grameen Shakti	29-Jul-13
				SBI Life Grameen Super Suraksha	17-Jul-13
15	Shriram Life Insurance Co. Ltd.	Shriram Grameen Suraksha		Shri Sahay	7-Feb-07
				Shriram Jana Sahay	19-Mar-07
				Shri Sahay AP	15-May-07
16	TATA AIA Life Insurance Co. Ltd.	Navkalyan Yojna	20-Nov-14	-	
17	LIC of India	LIC's New Jeevan Mangal	2-Jan-14	-	
		LIC's Bhagya Lakshmi	21-Oct-14	-	

Source: IRDAI Annual Report 2017-18

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

6. RATIONALITY BEHIND MICRO-INSURANCE FOR POOR IN ODISHA

While, India is a global leader in micro-insurance, access to insurance coverage, have been uneven across states and social groups. Even though mass insurance schemes have covered millions in the past five years; there are vast 'white spaces' of uninsured poor[i]. Poor households routinely 'opt out' of taking advantage of high-risk poverty alleviating opportunities like taken greater credit for investment in their businesses or migrating from traditional low-risk low return practises like multi-cropping, due to the absence of a reliable safety net. To improve the ability of more households to take part in developmental programmes; availability of a comprehensive safety net is a key forerunner.

Provision of a comprehensive risk management package; for households and small and tiny enterprises is capable of not only keeping poor households out of poverty, but also allowing them a true choice to undertake 'high-risk' entrepreneurial opportunities, that may put them on a growth path, making insurance a precursor to sustained development.

Poor households need risk cover for both – a) **preserving** the household stock (health, life) and b) to protect their **productive** activities (agriculture, cattle, and property). High caste groups use their caste and community network as efficient informal insurance during weather catastrophes. For vulnerable communities (like scheduled caste and scheduled tribes) where the networks lack capital; **access to formal insurance is the only protection against systemic risks for such groups**. States like Odisha with over 40% of SC and ST population offer a market opportunity for the insurers.

Odisha lag behind in access to private sector investment that leads to better jobs, better market access for producers, and lower prices for products and services. The state has a disproportionately higher number of **disaster prone districts.** Private investors generally perceive the risks of investment in the state to be too high leading to poorer availability of market led infrastructure like cold storages or village roads- critical for the rural economy. Design and delivery of **catastrophe insurance is** one key factor contributing to poorer states meso-infrastructures; protecting outstanding credit portfolios as well as meso infrastructure encouraging **investments in small and medium enterprises** in rural supply chains.

6.1 Need & relevance of micro insurance in Odisha

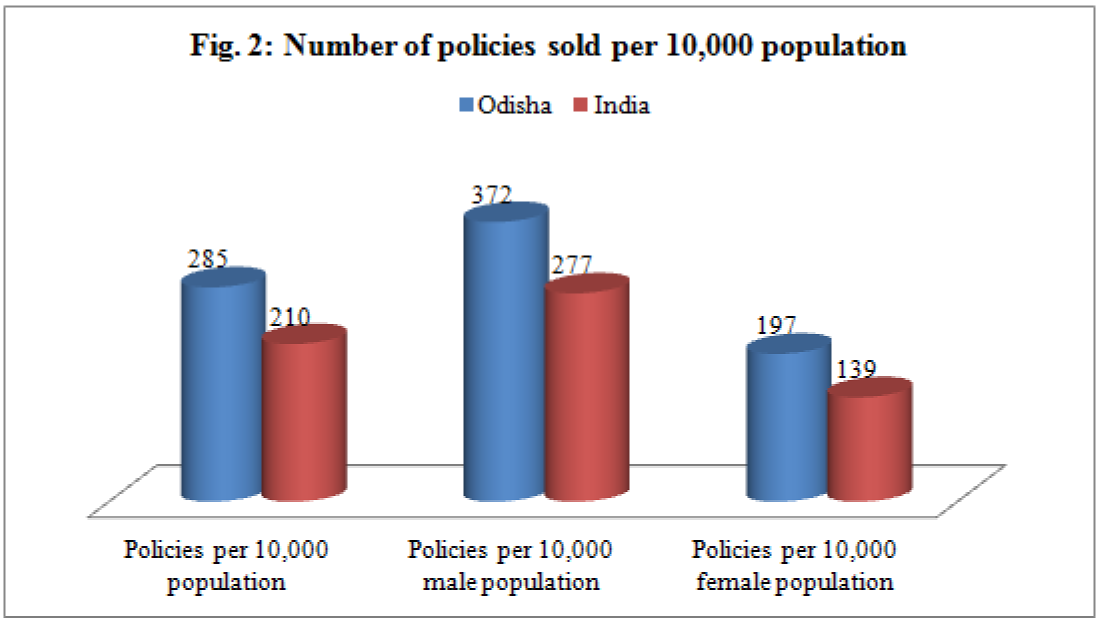
With as long as 482 sqr.kms of coastal area gives the state high risks of natural calamities and disasters. On the other hand, Western Odisha experiences lowest rainfall resulting frequent droughts almost every year. Besides, the state is affected by disasters like floods, cyclones, heat waves, forest fire, road accidents, epidemics etc. The health hazards as experienced by poor,

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

especially in rural pockets, are many and the health facilities to mitigate them are not so adequately available. Multiple challenges like improving per capita income, livelihood promotion of low-income people, provision of multiple financial services including micro insurance for the last mile etc, still pose a great challenge for the Government and other development agencies in the state. In view of the above risk factors, micro insurance products and services are becoming increasingly important for risk reduction of the poor in Odisha, and thereby mitigating the financial risks of vulnerable sections of the society.

The all India average reveals that there are two men purchasing life insurance policies per every one woman. As compared to this, the participation of women in life insurance is higher as compared to the all-India average in Odisha (Figure 2).



6.2 Micro insurance service providers & status in Odisha

Encouraged by IRDA various private and public sector companies including LIC, ICICI Prudential & Lombard, TATA AIG, Bajaj Allianz, Birla SunLife, Kotak Life, Royal Sundaram, AVIVA, Bharati AXA, etc. have come forward to provide micro insurance services for the poor clients through their existing corporate agents. In line with the growth of microfinance sector, micro insurance also witnessed a good progress in Odisha, especially in the initial years. The partner agent model was popular in the state as several NGOs/MFIs/Banks had their tie ups with the insurance companies as corporate agents for delivery of services to their clients including SHG/JLG members. The distribution channels included agents, CBs, RRBs, Co-operative Banks, SHGs and Federations, NGOs, MFIs, etc. The agents/intermediary organizations undertook

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

identification of the customers, negotiation with the insurance companies about the products and premium rates, collect the premium and assist clients in claim processing and settlement.

6.3 Key Players of Micro Insurance in Odisha

6.3.1 LIC of India: As a public sector company, LIC of India has been taking multiple measures to provide micro insurance services for the low income group of people, both at the national and state levels. In Odisha, LIC is serving the clients directly as well as through Government and corporate agents. It has three prime products viz. Jeevan Madhur, Jeevan Mangal and Jeevan Deep. Among these, Jeevan Madhur is mostly common among SHGs. All its four divisions collectively have been able to cover 9,59,288 lives through these products in Odisha as on March 2018[3]. LIC is also administering other Government of India sponsored security schemes which are meant for unorganized workers, BPL families, landless laborers and marginal farmers. These include Janasree Bima Yojana (JBY) and Aam Admi Bima Yojana (AABY). The progress in Odisha has, however, been little slow mainly because of low demand of people for micro insurance products. The low demand for micro insurance is often attributed to a lack of understanding of micro insurance concepts and products by the customers.

As per the available data (September, 2018), 33.55 lakhs of lives have been covered under Pradhan Mantri Suraksha Bima Yojana (PMSBY) and more than 90.16 lakh lives have been covered under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). The Public Sector Banks have covered highest number of lives (76%) under PMSBY and 77% under PMJJBY respectively (Table 5 and 6) in Odisha.

Table 5: Performance of Banks under Pradhan Mantri Suraksha Bima Yojana (PMSBY) as on 30.09.2018

S.No	Bank (No of Bank)	Urban		Rural		Total		Total Lives
		Male	Female	Male	Female	Male	Female	
1	Public Sector Bank (21)	615025	360314	1029083	703084	1644108	1062412	2711788
2	Private Sector Bank (15)	103056	63151	54853	33192	157909	96343	254252
3	Regional Rural Bank (2)	40971	32970	282819	236530	323790	269500	593290
4	Orissa State Co-Op. Bank (1)	678	268	10	3	688	271	959
	Total (39)	**759730**	**456703**	**1366765**	**972809**	**2126495**	**1428526**	**3555021**

Source: 153rd Agenda note of SLBC, Odisha

[3] LIC Annual Report 2017-18

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

Table 6: Performance of Banks under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) as on 30.09.2018

S.No	Bank (No of Bank)	Urban		Rural		Total		Total Lives
		Male	Female	Male	Female	Male	Female	
1	Public Sector Bank (21)	182157	102134	252729	163331	434885	265463	700348
2	Private Sector Bank (15)	15473	4949	6839	1970	22312	6919	29231
3	Regional Rural Bank (2)	12269	9774	81946	67795	94215	77569	171784
4	Orissa State Co-Op. Bank (1)	176	112	4	2	180	114	294
	Total (39)	**210075**	**116969**	**341518**	**233098**	**551592**	**350065**	**901657**

Source: 153rd Agenda note of SLBC, Odisha

6.3.2 Govt. Initiatives: With a view to cover and benefit a large section of poor, Government under the new public-private-partnership model also promoting and extending the micro insurance services in the state. Usually the premiums are either fully/heavily subsidized or partially taken care of by the Government. The Rashtriya Swasthya Bima Yojana (RSBY) is one such Central Government-subsidized programme. The objective of RSBY is to provide protection to BPL households from financial liabilities arising out of health shocks that involve hospitalization. Featured Beneficiaries under RSBY are entitled to hospitalization coverage up to Rs. 30,000/- for most of the diseases that require hospitalization. A host of private insurers including New India Assurance, IFFCO TOKIO, GIC, ICICI Lombard, Star Health, Bajaj Allianz and Royal Sundaramare distributing this flagship product. The Labour Directorate acts as a Nodal Agency in the state.

In addition, there are a number of state-sponsored programmes providing micro insurance services in the state. Biju Krushak Kalyan Yojana (BKKY) is one such scheme introduced by the State Government for the small and marginalized farmers. BKKY has two streams.

- Stream-I: covers all the farmer families who are not beneficiaries under RSBY (Rastriya Swasthya Bima Yojana)
- Stream-II expands the farmer families who are covered under RSBY. Up to five members of a farmer's family are being provided with the insurance coverage. The coverage is up to Rs. 1 lakh per family per year. Both the Government and private hospitals are empanelled to provide the required services.

It is understood that more than 10 lakh families have already been enrolled under BKKY in Odisha. Similarly the state government has also extended insurance services for the Bidi workers. Besides, there are other social protections measures available for the poor which include insurance services designed and offered by various individual departments for agriculture-crop insurance, livestock insurance, asset insurance etc.

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

6.3.3 Private Insurance Companies in partnership with NGOs/MFIs: The Insurance Regulatory and Development Authority (IRDA) of India have recognized the NGOs/MFIs to be the channel partners in offering the micro insurance services for their microfinance clients. As a result of which a large number of MFIs have already explored their partnerships with both the public and private sector insurance companies and offer micro insurance in an integrated manner with their on-going microfinance services. For MFIs, integrating micro insurance with their credit and savings activities makes logical sense as it helps them to reap economies of scale in financial management, provides them with a captive market, and enables them to use their existing network and distribution channels to sell insurance products.

In Odisha many of these private companies including ICICI Prudential, TATA AIG, Bajaj Allianz, Birla SunLife, Kotak Life, Royal Sundaram, and AVIVA, etc got into the partnership mode with the leading MFIs to offer their services to the clients. However, with the emergence of the crisis in the microfinance sector, demand for micro insurance also substantially went down. Consequently many of the private insurance companies including AVIVA, HDFC Life, SBI Life etc either stopped their services or reduced that to the minimum level. The situation has not yet improved visibly and only a handful of them such as Bajaj Allianz, Birla Sun Life, TATA-AIG, Kotak Life, ICICI Prudential etc have been providing the micro insurance services in the state. While Bajaj Allianz has tied up with Annapurna Microfinance Pvt Ltd (AMPL) & Adhikar Microfinance Pvt Ltd; Kotak Life and Birla Sun Life and, recently LIC, are having their partnerships with SMSL. ICICI Prudential is working with AMPL, Sambandh Finseve and Mahashakti Foundation. Discontinuing their partnerships with MFIs, AVIVA Life and Royal Sundaram are currently focusing through banking channels.

The success of microfinance, from a client perspective, can be attributed to two basic features. Whereas most poor have access to informal savings groups, institutionalised microfinance creates a more secure savings environment. Money in a vault is safer than money hidden under a mattress and money saved in a bank brings in some interest as well. Secondly, it created financial leverage by bringing in outside capital to borrow. Many poor, again, already may have had access to credit, but often at high costs of capital. The institutionalisation of low-income credit delivery has created greater access to capital at lower cost. As more capital becomes available for the poor, beyond the amounts they are able to save collectively, both their fallback position and their income earning capacity improve. There is access to money to deal with temporary set-backs, which may smooth their income and reduce vulnerability, and they can borrow to invest in productive activities which may increase their income.

Most microfinance institutions have become involved in various forms of insurance as well. The most wide-spread is the loan insurance. If the borrower dies, her family does not have to repay the outstanding loon. The cost of this insurance is paid for by a relatively small fee at the time of taking the ban. The other major product is life insurance. When a client dies, her family gets a certain amount, the benefit, from the microfinance institution. Premium is paid for by, again, a special service charge, or, even less demanding from an administrative point of view, by paying the claims out of the gross profit of the microfinance operations. Both products can be fairly easily integrated with the loan administration and many institutions offer these products on a mandatory basis: the insurance is directly linked with the loan.

"To be serviced efficiently and effectively, insurance provision must be affordable, simple, timely and relevant to their specific risks."

The scheme is collective, meaning that no single client would feel excluded. It is not very sensitive to fraud or debate, and the risks are not too difficult to calculate. Other forms of insurance, however, may not be collective, may be sensitive to fraud or interpretation, may be difficult to assess in terms of risk exposure, and may not be so simple to integrate with an institution's administrative systems. And it is because of the added complexity of these products that the question has been raised if microfinance institutions would do wise to become directly involved in the provision of micro-insurance products, other than life and loan.

7. KEY ISSUES & CHALLENGES IN EXPANDING MICRO INSURANCE SERVICES

The experience of service providers in Odisha for delivering micro insurance to clients, although progressed well initially along with the microfinance sector, it failed to maintain the pace for a longer period. Some of the existing issues/challenges are like:

- The issues of sustainability of insurance business by the institutions, availability of adequate infrastructures, strategies for distribution and up-scaling, product differentiation, MIS and monitoring pose greater challenges for its further expansion.
- One of the general observations is that micro insurance is being taken up by some of the insurance companies mainly to meet the obligatory requirements of IRDAI rather than as a viable business proposition. It is true that the number and premium involved in micro insurance schemes are very small. The challenge is how to upscale micro insurance from a business perspective.
- Micro insurance schemes for the unorganized sector are highly subsidized by the Government. Although micro insurance has been recognized as a part of Financial Inclusion Plan by the GOI, it has not been able to garner adequate support services to be implemented in an extensive manner.
- The distribution systems for micro insurance also not growing well except the MFI based partner-agent model. When the MFI based channel faced trouble due to the crisis in

ISSN: 2455-8834

Volume: 04, Issue:03 "March 2019"

microfinance sector, other distribution system could hardly make any progress on this front to support the sector.

- Most of the times, the premiums are not tailor-made looking at the socio-economic condition of the poor who sometimes find it difficult to adhere to the terms and deal with the cumbersome process of claiming the insured amount.
- The product offered by MFIs in partnership with the insurance companies is predominantly credit-life product. Such products actually protect the MFIs' portfolios, not cover any exigencies of the clients and their households (covers the repayment of the outstanding amount in case of a borrower's death).
- No sincere efforts have been undertaken to distribute small value agricultural and livestock insurance products, to support the poor.
- The commission earned by the aggregators (mostly small MFIs or cooperatives) from the sale of credit-life products does not constitute a substantial fee income for them. This has limited the interest of the aggregators in micro insurance.

8. SUGGESTIVE MEASURES

With a view to resolve the above issues and make micro insurance a productive service for poor, due attention should be given to various key elements, such as designing customized and affordable insurance products; simplified claims procedures and verifications; and accelerating the delivery of benefits. Micro insurance should aim at covering various types of risks faced by the poor rather than focussing on credit related risks alone as practiced by many of the microfinance institutions currently. In view of various inherent risks embedded to agriculture, crop insurance and weather insurance have been deemed as indispensable part of agriculture financing.

The insurance companies should also make sincere efforts to develop affordable products for poor along with provisions for clients' education for reaching out to the financially excluded communities through their partners. As a patron, Government has an important role to play in developing public–private partnerships for delivering its insurance schemes through NGOs/MFIs and should also invest on financial literacy of poor in the state. Insurance regulators (and other government entities) may help to create an enabling environment that facilitates the commercial viability of micro insurance by, for example, investing in financial literacy and consumer education about insurance, mitigating risk through preventive measures, creating data to enable actuarial analyses, and exploring new technologies that can reduce costs. If most of these elements are addressed then there is perhaps every possibility that micro insurance will become very effective, helpful for achieving optimum financial inclusion for the poor in the state.

The single most crucial element of this policy framework is the recognition that successful micro-insurance must be demand based. Demand for insurance should come from the clients, the poor; they should not be pushed upon them by insurance companies, NGOs, MFI's or funding agencies. Acceleration of the sector, in other words, must be generated by the clients themselves if it is to succeed.

This also requires recognition of the fact that blue print approaches are likely to poor people faces different risks and challenges. Acknowledgement thereof pre supposes a substantial handling capacity on the part of insurance deliverers in terms of tailor-making their products to the specific conditions of their clients. Micro-insurance, therefore, is not a financial service that should be introduced lightly, or be considered as a side activity.

9. CONCLUSION

The study highlights the importance of insurance in supporting the sustainable development of the poor and reducing the inequality in developing countries like India. Micro insurance is aimed to eradicate the vicious circle of poverty prevailing in the economy. There are still many things which are to be done in the micro insurance space as there are huge untapped areas. The development of micro insurance is imperative both morally and economically if successfully implemented, it will not only aid in achieving financial inclusion, equitable mitigation of risks but also a resilient base in our country.

REFERENCES

Apostolakis George, Dijk Gert Van, Drakos Periklis D (2015), "Micro insurance performance – A systematic narrative literature review", Corporate Governance: The International Journal of Business in Society, Vol.15, No.1, pp.1-36

Gunaranjan. (2007), The challenges of micro insurance, IRDAI Journal, V (12), pp-22-327.

IRDAI Annual Report 2017-18, Access from www.irdai.gov.in

Kirti Singh, Vijay Kumar Gangal (2015), "Micro Insurance in India: A Gizmo to vehicle economic development & alleviate poverty and vulnerability", IOSR Journal of Economics and Finance, Vol.6, Issue.2, Ver.I (Mar-April, 2015), PP 14-20

Ratna Kishor,(2013) "Micro insurance in India-Protecting the poor", Journal of Business Management and Social Sciencess Research, Vol.2,No.3. pp. 39-44

