

MICROINSURANCE - PERCEPTION AND NEED OF LOW-INCOME GROUP

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Abstract

Microinsurance is a type of insurance that caters to the needs of the economically poor by providing them with low-cost protection against various risks such as illness, accidents, death and property/crop damage. These insurance schemes are based on the principle of risk pooling, with members paying small premiums to receive financial coverage in times of need. The poor, often with low financial resources, volatile earnings and high dependency ratios, are especially susceptible to financial risks, and unable to access traditional insurance due to high premiums and bureaucratic complexities. In Nagpur city, microinsurance is particularly important. Many people are in the informal sector with little social protection and savings. These families are vulnerable to falling deeper into poverty in the face of unforeseen events like illness, accidents, or property loss. Microinsurance provides an important financial buffer to help families cope without depleting their resources. Different types of microinsurance, such as provider-driven, full-service, community-based and partner-agent models, allow microinsurance to be delivered to the poor through microfinance institutions, NGOs and cooperatives. Key factors for its success are affordability, ease of use and trust. Increasing financial resilience, microinsurance helps reduce poverty, improve social stability and inclusive growth in places such as Nagpur.

Keywords: Microinsurance, Risk Protection. Poverty Alleviation

Introduction

What is Microinsurance?

Micro-insurance is a tailored insurance policy to meet the needs of low-income groups in developing countries or disadvantaged class in developed nations. It does insure

against some of the severe risks (illness, accident, death, property/crop damage) with insurance policies of low liability and modest premiums affordable for the meagre incomes of this group. Microinsurance schemes are delivered through various channels, including - but not limited to - microfinance institutions (MFIs), NGOs, cooperatives and community-based organisations to cover as many of the unserved as possible. What is Low-Income Group? Low-income groups are defined as low-income households or communities that have limited economic resources (below 60-80% of the area median income). Low-income groups are vulnerable to economic, health and social adversities because they may have lower levels of resources. Definition and Income Criteria The definition of low income varies across countries. Typically, low income is defined in terms of family households' median income. For example, in the United States, a household is defined as low income, if the income is less than two times the federal poverty threshold. On the other hand, families in India with income between ₹300,001 and ₹600,000 per year are called "Lower Income Group (LIG)"

There are some common features of the low-income population. Families are more likely to have low education levels. They may have only one income source and one or more family members of working age generally work in various blue collar or manual jobs. Households are likely to have a high number of dependants such as children and aged persons. They are more likely to live in low-income areas that might include rural rural and urban slums. Living Circumstances and Vulnerabilities Low-income groups often experience: Substandard housing, and frequent energy poverty. Limited access to health care, as well as education. High unemployment or underemployment, despite some family members working full time. And higher susceptibility to economic risks, including health shocks, unemployment and inflation. Why there is a need for microinsurance in low-income group in Nagpur city? "There is a significant need

for micro insurance for low- group in Nagpur as they are at risk, financially vulnerable and lack access to traditional insurance products because of their high premium and procedures. Vulnerabilities of poor families in Nagpur the low-income families in Nagpur are vulnerable to unexpected events - illness, accidental injuries or property damage - that can quickly erode their limited savings, pushing them deeper in poverty. With high levels of informality, a health emergency, crop failure or death. Nagpur can go wrong, people get sick or fall injured, or their property is seized by the state and rapidly deplete what little savings they have, increasing their poverty. Given the large informal sector of its labour force, the households have little social protection and income: a serious health crisis, loss of crops or death of the earning member can devastate the family. Relevance to Nagpur In the research done in Nagpur and its outskirts, it was observed that microinsurance plays a very important role in local poverty alleviation, where low income households are often and adversely impacted by different risks such as health risks or crop failure (in the case of peri-urban and rural families) and property damage. Without such support, such shocks can quickly undo all the hard earned income and savings and push families into poverty traps. Hence, microinsurance is a -shock absorber, and the poor families of Nagpur are guaranteed a minimum of minimum protection (security) which is vital for the holistic development of the city and its social security. Use of Microinsurance Like insurance, Microinsurance is premised on the concept of risk pooling whereby large numbers of people pay a regular, small premium towards a pool of funds from which they receive compensation or a claim in the event of them facing the prevailing risks. The premiums themselves would be risk-compatible and affordable for a low-income market; Microinsurance products are specifically tailored to the most applicable risks faced by the community (for example a disease, death, crop loss or property damage resulting from the disaster). The coverage of such products is often much lower than even regular insurance as it reflects the low asset base and affordable premium.

Delivery Models and Administration

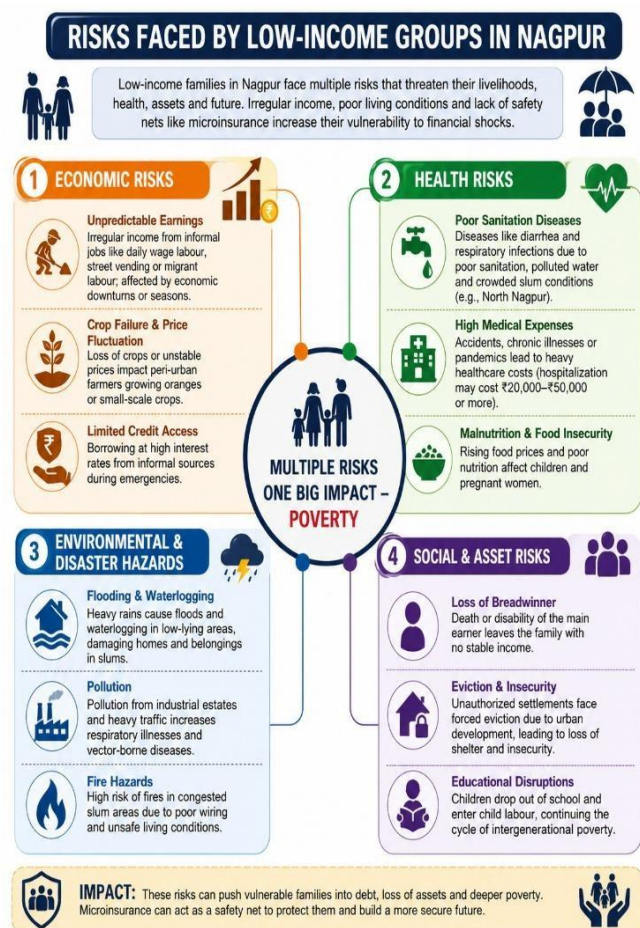
1. Provider-Driven Model: The delivery of microinsurance can take on several different models as follows-Provider-driven model.
2. Full -Service Model: The insurer both designs and delivers the product. An insurer works with

some other organization to deliver and administer the product.

3. A community-based model: A local group is responsible for the administration and distribution of insurance contracts.
4. A partner-agent model: Partner agents administer and distribute insurance products on behalf of an insurer.

Microinsuring is successful when the processes are simple, administration fees are low, and the insurer has developed trust with their clients. The use of technology seems to be a helpful trend to decrease costs of microinsurance premiums, streamline claims processing and expand access to insurance products.

Chart 1



Methodologica Framework The study assumes that the uptake of microinsurance among the poor in Nagpur is a result of several socio-economic and behavioural factors. This relationship has been conceptualised and a framework has been proposed.

Independent Variables

The independent variables which affect adoption of microinsurance are:

1. Awareness Awareness is the knowledge about microinsurance, its benefits, premium, claim process and coverage. For example, in Nagpur city, many low-income families are aware of government insurance policies like Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana, but they might not be aware of the procedure of enrolment and claiming benefits. Lack of awareness drives low participation.
2. Income Level Affordability of premiums is a function of income. Many low-income households in Nagpur, particularly the daily wage labourers and informal sector workers, prefer to meet their consumption needs today rather than plan for the future. Even low premiums can be perceived to be high if the income stream is irregular.
3. Financial Literac Financial literacy is the capacity to comprehend financial ideas and concepts such as pooling of risk, premium payment, insurance policy and claim settlement. This may result in a perception of insurance as a "loss" in the absence of a claim. This has a negative impact on microinsurance uptake.
4. Trust in Institutions Trust in insurance is important. When people don't trust insurance companies, agents or financial institutions, they may be reluctant to buy insurance. In India, microinsurance is overseen by Insurance Regulatory and Development Authority of India, but many poor families don't know about it. Previous experiences of delayed or denied claims can also impact trust. Dependent Variable

Adoption of Microinsurance

The dependent variable is the adoption of microinsurance, which relates to whether people take out microinsurance and continue to pay their premiums.

Adoption can be defined as:

- Joining government or private microinsurance schemes
 - Premium payment
 - frequency Renewal rates
 - Relationship Between Variables
- The study assumes that:
- Increased awareness → Increased adoption
 - Higher financial literacy → Greater understanding → Higher adoption
 - Greater income stability → Greater affordability → Higher adoption

Higher trust in institutions → Higher enrolment

So, the uptake of microinsurance in low-income population of Nagpur is not only dependent on income, but also on a range of economic and behavioural factors.

Review of Literature

A number of studies emphasise the role of microinsurance in financial inclusion in India for low-income groups. Sabrina Cherag (2024) observes increased insurance uptake with microinsurance, but still low levels of awareness, financial literacy and income limit uptake. Likewise, Uddin (2017) notes insurance literacy is a major driver of demand and low awareness limits uptake despite low cost. Adhana and Mayank Saxena (2017) argue that microinsurance is a means of financial protection against risks, but uptake is low despite regulatory encouragement. Similarly, Swami (2012) notes the vulnerability of the poor and the importance of awareness, simplicity and robust policy. In recent years, Rocha and Parameswaran (2025) highlight an "awareness gap" and recommend effective communication to address this. In summary, the research suggests microinsurance promotes financial inclusion, but its uptake is primarily driven by awareness, financial knowledge, income and trust in insurance, calling for targeted policy and education efforts.

Objective of the Research

1. To identify the factors influencing the adoption of microinsurance in Nagpur.
2. To explore the barriers preventing the adoption of microinsurance in Nagpur.
3. To examine the relationship between understanding microinsurance and its adoption.

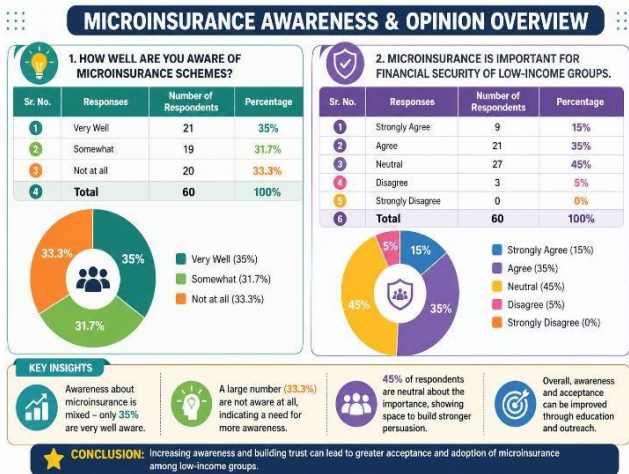
Data Analysis

Table 1

Sr. No.	Awareness Level	Respondents	%	Opinion Level	Respondents	%
1	Very Well	21	35%	Strongly Agree	9	15%

Sr. No.	Awareness Level	Respondents	%	Opinion Level	Respondents	%
2	Somewhat	19	31.7%	Agree	21	35%
3	Not at all	20	33.3%	Neutral	27	45%
4	—	—	—	Disagree	3	5%
5	—	—	—	Strongly Disagree	0	0%
Total	—	60	100%	—	60	100%

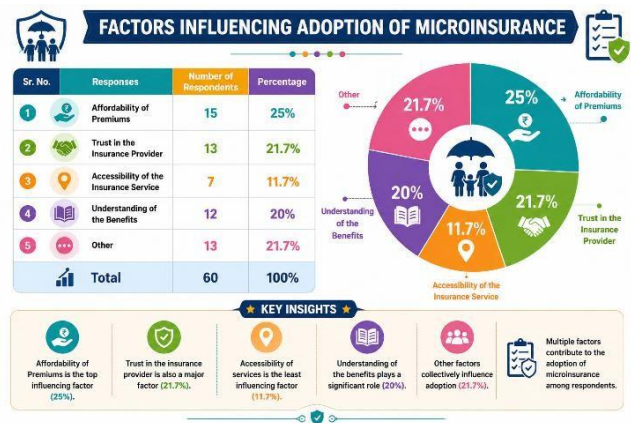
Chart :2



The results show a somewhat level of awareness of microinsurance among the respondents. A mere 35% are very aware and 31.7% are aware to some extent. Interestingly, 33.3% are not well aware at all, suggesting a huge gap in knowledge and that more awareness campaigns are required. Perception-wise, most of the respondents have a neutral view (45%) on the importance of microinsurance. 50% (15% strongly agree + 35% agree) perceive it in a positive light, but

a small percentage (5%) disagree, and none strongly disagree. This indicates that while negative perception is low, a considerable number are not convinced or well enough informed. In conclusion, this study suggests that awareness and perception are connected. Neutral perception and low uptake are related to a lack of awareness and financial literacy. Consequently, increasing awareness, financial education and the trust factor through education and outreach programs can play an important role in improving the acceptance and adoption of microinsurance among the poor and vulnerable.

Chart :3



The infographic makes it clear that the poor in Nagpur face a range of risks that impact their livelihood and quality of life. These risks fall into four broad categories: economic, health, environmental and social/asset risks. The main economic risks stem from uncertain income opportunities, particularly in the informal sector. This stability, along with constraints in accessing credit, hampers their ability to pay for day-to-day needs and handle shocks. Vulnerability is also compounded by health risks, as poor hygiene and living conditions result in regular illness, and expensive health care places a significant financial burden. Long-term health issues are compounded by malnutrition and food insecurity. Environmental and disaster risks, including flooding, pollution, and fire risks directly affect their assets, especially in low-lying and slum areas. These risks can create unexpected and catastrophic events, exacerbating poverty. Social and asset risks, such as the death of a breadwinner, eviction from illegal settlements, and loss of education, also impact on the household's economic resilience, which in turn results in inter-generational poverty. In summary, the infographic highlights that these risks are not in isolation, but

are interlinked, resulting in severe shocks. The key message is that without effective risk protection, such as microinsurance, these risks can push families into a vicious cycle of poverty. Therefore, microinsurance acts as a buffer against risks, enabling the poor to cope with risks and become more resilient.

Findings

The questionnaire is primarily dominated by young people, particularly 20-30-year-olds, and primarily comprises of females and students. This suggests the research mostly represents the views of young and students rather than those in the workforce. The respondents are mostly from middle-income families, with moderate knowledge of microinsurance. But awareness is mixed, with some respondents not knowing the benefits of microinsurance. Many respondents have experienced financial hardships but their confidence in microinsurance providers is unclear. Respondents have a neutral perception of the benefits and are not very confident about buying it in the future. Price, trust and awareness are the main determinants of purchase. Generally, respondents anticipate microinsurance offers financial security, but awareness, clarity and trust need to be improved to enhance uptake. Conclusions The research report, "A Study on Microinsurance - Perception and Need of Low-Income Group with Reference to Nagpur City" shows that the sample is heavily skewed towards the young, especially 20-30 year olds, with more female and student participants. This suggests that the results mostly reflect the views of young people and students, with less input from elderly and professionals. Hence, the findings may lack inclusivity of all social groups. Most of the respondents are from middle-income families, so the results may not be applicable to other income strata. The research reveals that microinsurance awareness is moderate, but there is a knowledge gap because many respondents do not have a good understanding of the features and benefits of microinsurance. This indicates a disconnect between awareness and understanding. There is confusion among survey participants about the advantages of microinsurance; many are neutral. While respondents acknowledge the main benefit is financial protection, they are unaware of other benefits. Moreover, respondents do not trust microinsurance providers, making them reluctant to take up these schemes. Many respondents have reported financial crises, suggesting that they need financial protection such as microinsurance. But future purchase intention is uncertain, with many respondents being uncertain. Price, trust and awareness are the major decision-

making factors. In general, the research suggests that although there is a potential market for microinsurance, it is being hampered by a lack of awareness, understanding and trust. To enhance acceptance, communication, process and trust need to be improved. Microinsurance can help in ensuring financial security and stability but depends on raising awareness and trust in users.

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