

# An Evaluative and Comparative Study of Micro Insurance Schemes offered through Community Based Model and Partnership Model

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**Abstract:** *One of the crucial factors affecting the standard of living of people in the economy is their health related expenses. As we all know, the only way out to protect ourselves from the perils of health related dangers, and is insuring ourselves against these perils. The micro insurance schemes provide safety to the weaker sections of the society, by way of providing them the facility of insurance with small amount of premium. Though the sum assured or claim is comparatively lesser, these schemes make a big impact on the lives of the poor people. The contributions of Self Help Groups are very much appreciable in this matter. The schemes are offered generally using different models. The important models are partnership model and community based mode. This study is made by taking community based model and partnership based model. The objectives are determining the factors influencing the years of awareness about the scheme; number of times benefits taken by the members, and affordability of premium payment. As both the schemes are facilitated by SHGs, there is overall positive impact of micro insurance schemes on the policy holders.*

**Key Words:** SHG, Micro, Insurance, Scheme, Claim, Premium, Policy.

## 1. INTRODUCTION:

The status of Indian economy present is at its growth phase. The economy has grown widely in all the areas contributing towards the overall development of the economy. India is in its march towards one of the successful economy in the globe. The economy is on its way to match with the giant players in the economy. The main contributors of economical growth of any economy are its human resource. If the human resource is not strong the country cannot sustain its growth and development. Individual needs to safeguard himself against the various perils affecting the health and survival. The economy being a large in the globe is rich in its human resource, but there is a deficiency in the health aspects. The unequal distribution of income is continued to be the important characteristics of any economy with large population. The protection against the health related perils and events can be provided only through the proper insurance coverage for the health and life of the individuals. The insurance in India is in growing stage and it has become a must for each individual to have his or her own insurance in order be ready with risk associated with life and property. Insurance functions on the concept of risk pooling and likewise, regardless of its small unit size and its activities at the level of single communities, in that micro insurance is playing a very important role, micro insurance is insurance with low premiums and low caps coverage. [1]

The present study focuses on the provision of insurance to the public coming under poor or lower economy class. The private insurance schemes offered by the private and public insurance companies cannot be afforded by the poor class of economy. Therefore significant importance is given to small insurance schemes offered to the poor. The present study considers such insurance schemes in its scope, which can serve the poor at its best. The poor should be made to buy any insurance policy by going to their door steps. Insurance companies have failed in doing that. The successful institutions are the NGOS, Co-operatives and trusts.

### 1.1 Understanding the Micro insurance schemes:

In India the micro insurance is delivered through different channels. They are partnership model, agency model, community based model and provider model. The partnership model means insurance company entering into partnership with any NGO to provide the scheme to the members of NGO. Under agency model, the insurance company provides the micro scheme to the public without taking the help of any intermediaries. Provider model is also called charitable model, where the insurance is provided by hospitals to their patients. The community based model is a model, where in any co-operative society or trust or NGO provides the micro insurance scheme to its members, without getting into any tie ups with insurance company. The community based model is called informal model. The formal schemes are the schemes offered by Insurance companies to the public. Informal schemes do not involve the insurance companies. The Models of micro schemes are partnership model and community based model [2]. Micro-insurance is a concept that

encompasses a large diversity of organizations: mutual benefit organizations in Africa and Latin America, micro-insurance schemes set up and operated by health care providers, cooperatives, associations, unions, NGOs or MFIs providing an insurance service to their members, sometimes in partnership with a public or a private insurance company, etc.

### **1.2 Meaning of Partnership model:**

Under partnership model, the insurance company enters into partnership with an agent like SHG, trust or NGO to provide micro insurance schemes. The IRDA governs these schemes. The other forms of schemes mainly include insurance company directly delivering the schemes to the public under agency model. The self help group members do provide insurance schemes on their own to the needy public. [3]

## **2. SCOPE OF THE STUDY:**

The health schemes were selected for the study. The study mainly focuses on main two types of schemes offered to the public. The schemes were under formal and informal schemes. The formal scheme is compared with the informal scheme. The formal scheme is Sampoorana Suraksha scheme and informal scheme is the chaithanya scheme. Sampoorana Suraksha is the micro health insurance scheme offered to the members of SKDRDP. The other scheme was, chaithanya offered to the SHG members of Navodhaya Charitable trust of SCDC bank.

## **3. OBJECTIVES OF THE STUDY:**

The study is conducted to compare the community based scheme with partnership based model with respect to some of the variables. The study undertaken focuses on identifying the impact of the socio-economic variables certain scheme related variables. The details are given below:

- To know the impact of socio economic factors on number of years of membership in scheme.
- To check the impact of socio economic factors on awareness about scheme among the members.
- To compare the number of times benefits taken by the scheme members of the community based scheme and partnership based scheme.
- To check and compare the level of satisfaction among the members of the scheme.
- To check the problems faced by the scheme holders of community based scheme Chaithanya and partnership based scheme Sampoorana suraksha.
- To compare the level of awareness about the schemes among the community based health scheme holders and partnership based health scheme
- To cross check the awareness of rules of the scheme number years of membership in the scheme.

## **4. LITERATURE REVIEW:**

David Mark Dror [4], in his study reveals the category of people, enrolling for micro insurance. He has observed most of the members belong to SC/ST category. At the same time his studies also reveals that, most of the members get encouraged to invest in the scheme due to the encouragement of their family and friends.

Gupt [5], in his article feels that, there is an interference of government to enhance the distribution of micro insurance schemes in India. There is even flexibility in the manner of premium payment in this scheme. Members can pay the premium monthly basis, weekly basis or even in one lump sum in a year. Some kind of regulations in the micro insurance, will contribute towards the growth and development of micro insurance.

Itaf Ahmad Dar [6] reveals that there is a need for the government to put forward these kinds of schemes fulfilling the needs of the poor. There can be even equal contribution by the bank in this respect. There should be proper training given to enhance the skills of the people in the distribution of the scheme.

Manjunath [7], states that, micro insurance schemes offered by commercial insurers make it very difficult for the members to get the profit as expected by them. Insurance companies have to give more focus for providing value based services to the poor and needy.

Padmalochan Mahanta [8] feels that, the need of micro insurance schemes was felt by non government organization. It is also because of the micro finance institutions contributing towards the growth of micro insurance schemes.

## **5. METHODOLOGY:**

The study is done by taking the respondents of sampoorana suraksha (partnership model) and chaithanya scheme (community based model). 400 numbers of members were chosen from each scheme. Therefore the total number of members will be 800. The members are taken from 5 taluks of Dakshina Kannada district. All the members are the beneficiaries of the scheme. The benefits obtained by the scheme holders in the past 5 years are taken into for study.

The sampoorna suraksha scheme holders can obtain the benefits for self and their family. The chaithanya scheme holders are the members obtaining benefits only for self and not for her family.

The study is done by taking variables of awareness of the rules of scheme, awareness of disease covered and number of years of membership of members with the scheme. The testing is done using Mann – Whitney test, fisher’s exact test and chi square test.

## 6: RESULTS & DISCUSSIONS:

**Table 6.1: Table showing the mean ranks between Suraksha and Chaithanya scheme, with regard to awareness of rules relating to scheme**

	Name of the scheme	N	Mean Rank	Sum of Ranks
Awareness of rules	Suraksha	400	413.59	165437.50
	Chaithanya	400	387.41	154962.50
	Total	800		
Awareness of diseases that are covered	Suraksha	400	411.50	164598.00
	Chaithanya	400	389.51	155802.00
	Total	800		
Number of years of membership	Suraksha	400	462.74	185096.00
	Chaithanya	400	338.26	135304.00
	Total	800		

**Hypothesis 1:** There is no significant difference in the awareness of rules of the scheme, awareness on the diseases covered and number of years of membership between Sampoorna Suraksha and Chaithanya schemes.

**Table 6.2: Table showing the test results**

	Awareness of rules	Awareness of diseases that are covered	Number of years of membership
Mann-Whitney U	74762.500	75602.000	55104.000
Wilcoxon W	154962.500	155802.000	135304.000
Z	-1.728	-1.464	-7.643
Asymp. Sig. (2-tailed)	.084	.143	.000

### 6.1.1: Analysis of the mean ranks between Suraksha and Chaithanya scheme, with regard to awareness of rules relating to scheme

From Mann Whitney U test we can observe that there is no significant difference in the awareness of rules of the scheme and awareness on the diseases covered between Sampoorna Suraksha and Chaithanya schemes as the p values are greater than 0.05. Whereas there is significant difference in number of years of membership between Sampoorna Suraksha and Chaithanya schemes at 1% level of significance, as the p value is less than 0.01 and the number of years of membership is more for Suraksha than Chaithanya. This states that, both in community based model of insurance scheme and in partnership model, there is awareness about their health schemes. It is because of the regular meetings held by the members of the SHGs. There are awareness programmes organized once in three months or once in a year to enhance the level of training among the members of the scheme. The rural people are generally less literate, not knowing to read or write. But these groups and group secretaries are making it clear to the members about the scheme.

### 6.1.2: Impact of socio-economic conditions of the members of the scheme on the number of times benefits used by the scheme members of Suraksha and Chaithanya

The number of times the beneficiaries have taken benefits There are possibilities that both the partnership based scheme and partnership based scheme holders, might have used the scheme more than once in the past five years. The attempt has been made to check if there is any impact of socio economic conditions of the members of the scheme, on the number of times the benefits obtained by the members. The socio economic factors taken for the impact are age, religion, caste, qualification, marital status, number of children, and annual income of the family. The tests used are chi square test and fisher’s exact test.

**Table 6.3: Table showing the test values of association between socio economic variables of suraksha and chaithanya scheme and number of times benefits obtained by the members**

	Chi square test Value ( CSTV) & Fisher’s Exact Test Value (FETV) and significant value (p value)			
	Suraksha (partner – agent model)		Chaithanya ( community-based model)	
Age	CSTV=33.148	P=0.006< 0.01 (HS)	CSTV=11.408	P=0.246> 0.05 (NS)
Religion	FETV=19.663	P=0.991> 0.05 (NS)	FETV=12.144	P=0.307> 0.05 (NS)
Caste	FETV=18.088	P=0.701> 0.05 (NS)	FETV=7.360	P=0.682> 0.05 (NS)
Qualification	FETV=46.117	P=0.764> 0.05 (NS)	FETV=28.530	P=0.207> 0.05 (NS)
Marital Status	FETV=44.984	P=0.089> 0.05 (NS)	FETV=22.100	P=0.341> 0.05 (NS)
Annual Income of the member	CSTV=75.211**	P=0.000< 0.01 (HS)	FETV=41.292*	P=0.000< 0.01 (HS)
Annual Income of the family	CSTV=98.246**	P=0.079> 0.05 (NS)	FETV=21.216	P=0.643> 0.05 (NS)

\*\*At 1% or 0.01 level of significance

\*At 5%, 0.05 level of significance

**Hypothesis 2:** There is no association between socio economic variables of the respondents and the number of times the benefits taken for self

**6.2.1 Analysis of the association between socio economic variables of suraksha and chaithanya scheme and number of times benefits obtained by the members:**

It is observed from the table above that the all of the socio economic factors of the respondents of Dakshina Kannada except for age and annual income of the member are not associated with the number of times the benefits taken for self at 5% level of significance as the p values are greater than 0.05.

The meaning is there is no impact of socio economic conditions such as, religion, caste, qualification, marital status and also annual income of the family, on number of times the benefits used the scheme.

Hence the null hypothesis is rejected for age, annual income of the member and the family. There is significant association between the age and annual income of the member on the number of times the benefits taken in past 5 years. Hence the number of times the benefits taken for self under Suraksha scheme is completely dependent on the age and annual income of the member at 1% level of significance, as the p values are less than 0.01.

In case of scheme chaithanya, out of the various socio economic variables, the most influencing variable is only the annual income of the members of the scheme. The other variables such as age, religion, caste, qualification and annual income of the family do not have any association with the number of times the member taking the benefit, at 5% level of significance as the p values are greater than 0.05. Hence the null hypothesis is rejected for the variable annual income of the member, at 1% level of significance as the p values are less than 0.01.

**6.2.2 Premium payable by the scheme holders:**

The attempt is made to check the sources of income used by the member to pay the premium. The premium paid by the scheme holders of community based scheme (chaithanya) and partnership mode (Suraksha scheme).The premium is generally at lower side. In a year the premium amount will be within Rs1000. The scheme holders pay premium out of various sources of incomes. The premium will be paid in instalment by the scheme holders. This is one of the major advantages of micro insurance schemes.

**Table 6.4: Table showing sources of income used by Suraksha and Chaithanya scheme holders**

Source of Income	Suraksha		Chaithanya	
	Frequency	Percentage	Frequency	Percentage
Own income	145	36.3%	172	43.0%
Husbands income	116	29.0%	159	39.8%
Children's income	38	9.5%	41	10.3%
Income of the family	101	25.3%	28	7.0%
Total	400	100.0%	400	100.0%

**Hypothesis 3:** There is no association between the way the premium is paid and the type of the scheme as well as the sources of income

**Table 6.5: Table showing test results of association between the sources of income used to pay premium & types of scheme**

	Chi square test Value ( CSTV) and significant value ( p value)	
Type of the scheme	CSTV=416.777**	P=0.000< 0.01 (HS)
Sources of income	CSTV=28.240**	P=0.000< 0.01 (HS)

**6.2.3 Analysis of association between the sources of income used to pay premium & types of scheme:**

From Fishers Exact Test we can observe that there is association between the way the premium is paid and the type of the scheme as well as the sources of income at 1% level of significance the p value is less than 0.01. The hypothesis is rejected which leads to the conclusion that the way the premium is paid is completely dependent on the type of the scheme and sources of the income.

**7. FINDINGS:**

- a) The study reveals that there is no difference between the scheme holders of community based and partnership model based micro health insurance schemes, with regard to awareness about the scheme. The scheme holders aware of the rules and regulations of the scheme as it are due to the meetings that are effectively conducted in SHGs from time to time.
- b) There is significant difference in the years of membership of scheme holders of Sampoorana Suraksha and Chaithanya scheme. The number of years of membership in a scheme also depends on the familiarity of the scheme, awareness of the scheme, reputation of the scheme, establishment of the scheme. The scheme suraksha has been providing the insurance facility under the formal structure very effectively, which provides for more number of associations of members with the scheme. In case of community based scheme chaithanya, though the scheme has been established since many years, the members have less number of years of association. This maybe because of the lesser benefits provided by the scheme to the scheme holder.
- c) The payment of premium by the members of the scheme is done by using various sources of income. The sources are basically their own income, incomes of their spouse, family or children. Test results show that, the sources of income used to pay premium is different from one scheme to another. There is no association between the community based scheme and partnership model based scheme, with regard to payment of premium. This may be because of the income of the members opting for these two different schemes.

**8. CONCLUSION:**

The micro health insurance scheme is a scheme specially meant for the weaker section of the society. The very scheme by its name states that it is with small amount of premium and small amount of claim. The low income category people are not able to get the health schemes offered by the big insurance companies like private or public sector insurance companies. They must be informed about the availability of these kinds of schemes by reaching to their door steps. This becomes one of the major challenges of the private insurance companies. The very purpose of micro insurance schemes are fulfilled by these models of reaching the unreached through NGOs and SHGs.

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