

## Research Article

# A Study on Reasons for Buying Microinsurance policies With Reference to Policyholders of Life Insurance Corporation, Visakhapatnam District



S. Pushpalatha<sup>1</sup>, N. Vijaya Jyothi<sup>2</sup>

<sup>1</sup>Department of Management, Aurora's PG College, Ramanthapur, Hyderabad, Telangana, India,

<sup>2</sup>Department of Management, GVP College for Degree Courses, Visakhapatnam, Andhra Pradesh, India

## ABSTRACT

Risk is persistent in the lives of poor and low-income groups. The economic, social, natural, and other factors distort households' risk management capability, and they struggle to come out of poverty. Sometimes, poor and weaker sections are often forced to deplete their financial, physical, social, and human assets just to cope with the contingencies in the case of multiple risks. The need for formal insurance to cover to these vulnerable and poorer sections could be useful to protect them against risks and supplement their risk managing capacity. Hence, it is important from the policy point of view to understand different household risks and risk-management strategies on the one hand and the need and demand for insurance products, particularly for low income groups who are vulnerable to risks. In recent times Micro Insurance has grabbed the attention of the policy makers, insurers and business leaders etc., and it is considered as one of the major risk managing technique for low income groups and a potential market for business etc., The study emphasizes the importance of Micro insurance in reaching poor and also highlights the perception of the policyholders on several reasons for adopting the Microinsurance.

## Address for correspondence:

S. Pushpalatha,  
Department of  
Management, Aurora's PG  
College, Ramanthapur,  
Hyderabad, Telangana,  
India.  
E-mail: [pushpambagvp@yahoo.com](mailto:pushpambagvp@yahoo.com)

## Key words:

Life Insurance Corporation  
policyholder,  
Microinsurance policies,  
Reasons,  
Visakhapatnam

**Received:** 25<sup>th</sup> January 2018

**Accepted:** 20<sup>th</sup> February 2018

**Published:** 30<sup>th</sup> May 2018

## INTRODUCTION

Poverty eradication is the mission of everyone in the society. Government, NGOs, corporate world, and the poor themselves want to get rid of this social inequity, which makes a section of the population, vulnerable. Poverty is the barometer of a nation's progress. A large number of people living in poor conditions indicates that the society is not a just society. The development of a nation has to include all sections of the population. The wealth of the nation in control of a few is a very risky proposition. For the country to reach its full potential, each and every part of the society has to move forward.

## POTENTIAL FOR MICROINSURANCE

The potential for microinsurance is huge in the developing world, and the market for insurance is clearly untapped. The poor, who are largely uninsured, may be seen by insurance companies as an inconvenience or an opportunity waiting to be explored. It depends on the point of view or the vision of the organization. However, it is the same poor who are aspiring to be the next middle class in the economy and they are

demanding and will demand in future, world-class products serving their needs. Microinsurance is a business model on its own and those who want to get into it should do so because it makes business sense in doing so. The big difference that insurance companies need to realize is that this is catering to a completely different target audience. Insurance companies need to study this market and bring out products that are the need of this market. Existing products, diluted for this market, are not the solution. Insurance companies need to innovate as there are immense challenges in this market. Life Insurance Corporation (LIC) has been the monopoly player in this industry for more than 50 years. It being a public sector enterprise also carried on itself the social responsibility of reaching out to all sections of the society whether rich or poor, rural, or urban. LIC has successful in penetrating the rural markets, but its efforts alone are not enough. Moreover, the product, pricing, and promotion have left a lot to be desired.

## REVIEW OF LITERATURE

Dr. Anuradha (2015)<sup>[1]</sup> in her research on microinsurance dimension for financial inclusion has specified that microinsurance



is a tool helpful for rural poor and stressed on exploring the possibility of getting ability of every individual to access basic financial services which include savings, loans, and insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that the savings are safe and that insurance claims will be paid with certainty.

Dr. G. Karunanithi(2015)<sup>[2]</sup> in his study explained about the Micro Insurance products offered by LIC of India and to analyse the performance of procurement of Micro insurance policies etc. Majority of the micro insurance products are procured by the LIC, through the NGO's. The LIC of India should take necessary steps to improve the business of Micro Insurance as well as to collect the renewal premium from the policyholders.

Pushpalatha (2016)<sup>[3]</sup> in her research conducted a study on perception of microinsurance policyholders analyzing the behavior and attitude of the policyholders in adopting the microinsurance policies.

Prof. Prahalad (2017) conducted a study with an objective to elicit the views of rural folks on life microinsurance in general and in particular to know their preferences, trusts, and opinions regarding life microinsurance and concerned firms. For the smooth functioning of the life insurance business in the rural areas, the following suggestions may help the public and private life insurance companies.

### Objectives of the study

The objectives of this study are as follows:

1. To study and analyze the sociodemographic profile regarding saving and investment patterns with reference to LIC policyholders in Visakhapatnam district.
2. To study the reasons for taking the microinsurance policy with reference to LIC policyholders in Visakhapatnam district.

### Methodology of the study

The study is based on primary data and has been collected from the policyholders of LIC through tested questionnaire using random sampling method.

### Analysis of the data

The data are analyzed using simple percentage method and Garrett Ranking Technique for assigning the ranks.

### Age-wise distribution

Age has been considered as one of the main socioeconomic conditions of policyholders (i.e., sample respondents) [Table 1].

The above table projects that the sample respondents under the age group of 18-25 years which constitutes 5% of the total urban sample are living in urban area and 7% of the rural sample respondents are living in rural area. Where as the respondents under the age group of 25-35 years which constitutes 17% of the total urban sample population belongs to urban area and 17% of the total rural sample population belongs to rural area. From the above analysis it is evident that majority of the sample respondents i.e. 42% falls under the age group of 35-45 years.

### Monthly income-wise distribution

The income of the policyholder is treated as an important parameter of their economic position while taking insurance policies. The result of the analysis is given in Table 2.

Overall comparison, it is observed that higher proportion of respondents exists in urban area than rural area and it is more than Rs. 10,000 income category. It accounts for 40% in urban area and 28% in rural area.

### Possession of ration card

In the present study an attempt has been made to know that the sample respondents possess ration cards or not. In this study, all the sample respondents possess the ration card. Hence, an attempt is made to know about the category of ration card held by them. The result of analysis is presented in Table 3.

Table 3 shows the possession of different category of ration card by the sample households. A higher proportion of rural area policyholders (88.0%) possesses "below poverty line (BPL)" cards while comparing with the urban area policyholders.

Overall, it is concluded that a majority of 85% of sample households possess "BPL" cards and 15.0% possesses "above poverty line" cards.

### Assets held

To assess the living standard of the policyholders, information is sought about the item of assets held in their house. It is listed out in Table 4.

**Table 1:** Age-wise distribution of sample respondents

Age	Number of sample respondents		Total
	Urban area (%)	Rural area (%)	
18–25 years	10 (5)	14 (7.0)	24 (6)
25–35 years	34 (17)	34 (17)	68 (17.0)
35–45 years	86 (43)	80 (40)	166 (42)
45–55 years	42 (21)	50 (25)	92 (23)
Above 55 years	28 (14)	22 (11)	50 (12.5)
Total	200 (100)	200 (100)	400 (100)

**Table 2:** Monthly income-wise distribution of sample respondents

Monthly income	Number of sample respondents (%)		Total (%)
	Urban area	Rural area	
<Rs. 5,000	66 (33)	74 (37)	140 (35)
Rs. 5,000 to Rs. 10,000	44 (27.0)	72 (36)	126 (31.5)
Rs. 10,000 to Rs. 15,000	52 (26)	36 (18)	82 (22)
More than Rs. 15,000	28 (14)	20 (10)	44 (12)
Total	200 (100.0)	200 (100.0)	400 (100.0)

Table 4 gives the item of assets possessed by the urban as well as rural area policyholders. The major item of assets possessed by the urban area policyholders are mobile (100%), while comparing urban and rural areas, it is found that much difference is seen in the percentage of holdings of assets such as grinder and two-wheeler.

**Habit of savings and sources**

An attempt is made to know about the habit of savings and sources. It depicts the socioeconomic position of policyholders. The result of analysis is exhibited in Tables 5 and 6.

It can be seen from Table 5 that around 74.0% of urban area policyholders and 57.0% of rural area policyholders have the habit of savings. In total, of sample 400 respondents, 262 respondents constituting 65.5% have the habit of savings. From this analysis, it is observed that around two-third of sample respondents have the habit of savings.

Table 6 shows the source at which the sample respondents are savings.

It is inferred from Table 6 that a major portion of urban area respondents preferred “chit fund” and “bank” for their savings. It accounts for 36.98% and 34.93%, respectively. The source “others” has been preferred by 19.86% and only 8.2% preferred “post office.”

In the case of rural area respondents, a majority of 53.44% respondents preferred “chit fund” for their savings. Following this, 22.41% preferred the “bank.” Next to this, “other sources” come in order and it accounts for 19.82%. Only a meagre portion, i.e. 4.31% preferred the “post office” for their savings.

**Spending pattern**

The spending pattern on various items has been attempted by the researcher. This is analyzed by finding the minimum, maximum, and mean. The distribution is shown in Table 7.

Table 7 exhibits the spending pattern of overall policyholders.

**Debt position**

Since the topic is related to the poor and the low income group, the researcher has attempted to know whether they are having any debt by means of borrowing. The result of analysis is given in Table 8.

Table 8 discloses that of 400 sample respondents, a major portion constituting 79.0% have debt. According to area-wise, rural area respondents out number more (88.0%) than the urban area respondents (70.0%). In the study, only 21.0% do not have any debt. Hence, it is concluded that the respondents have the habit of borrowings.

**Reason for debt**

An observation regarding the debt position of the policyholders and the reasons for that has been made. The reason for having debt is gathered from policyholders, and the reason has been ranked. The result is displayed in Table 9.

It is found from Table 9 that a major portion of urban area policyholders (89.9%) reported having debt for “family

**Table 3:** Category of ration card

Category of ration card	Number of sample respondents, N (%)		Total, N (%)
	Urban area	Rural area	
Below poverty line (BPL)	164 (82.0)	176 (88)	340 (85.0)
Above poverty line (APL)	36 (18.0)	24 (12)	60 (15.0)
Total	200 (100.0)	200 (100.0)	400 (100.0)

**Table 4:** Item of assets held

Item of assets	N (%)	
	Urban area	Rural Area
Radio	40 (20)	60 (30.0)
Television	188 (94)	196 (98.0)
Cooker	70 (35)	38 (19.0)
Mixie	1154 (77)	184 (92.0)
Grinder	144 (72)	178 (89.0)
Refrigerator	72 (36)	12 (6.0)
Fan	194 (97)	196 (98.0)
Computer	60 (30)	6 (3.0)
Mobile	200 (100.0)	200 (100.0)
Two-wheeler	138 (69)	106 (53.0)
Total samples	200	200

**Table 5:** Savings habit

Habit of savings	Number of sample respondents, N (%)		Total, N (%)
	Urban area	Rural area	
Yes	148 (74.0)	114 (57.0)	262 (65.5)
No	52 (26)	86 (43)	138 (34.5)
Total	200 (100.0)	200 (100.0)	400 (100.0)

**Table 6:** Source of savings

Saving sources	Number of sample respondents, N (%)		Total, N (%)
	Urban area	Rural area	
Bank	51 (34.93)	26 (22.41)	77 (29.38)
Chit fund	54 (36.98)	62 (53.44)	116 (44.27)
Post office	12 (8.2)	5 (4.31)	17 (6.48)
Other source	29 (19.86)	23 (19.82)	52 (19.84)
Total	146 (100.0)	116 (100.0)	262 (100.0)

function.” Secondly they have raised the debt for their medical expenses followed by education purpose. Where as in case of rural area respondents opined that they have raised the debt for family functions medical expenses, emergency expenses and lastly for education purpose.

Table 10 reveals the important reasons for taking policy by the rural area respondents. The main reasons are: (a) Pressure

from agents, (b) life cover and savings, (c) faith with LIC, and (d) small Savings. The computed mean scores for these reasons are 55.80, 55.32, 52.66, and 51.26, respectively. Hence, first, second, third, and fourth ranks were assigned to these reasons. The other reasons come in the descending order of mean score.

The general observation made from the above analysis is that the rural area respondents feel that the policy is taken because of the main reasons such as “pressure from agents,” “life cover and savings,” and “faith with LIC.”

The results shown in Table 11 reveal that the most important reason for taking policy by the urban area respondents is “small savings” (score value = 10479; mean score = 57.26). Hence, first rank is given to this reason. It is followed by the reasons “life cover” (score value = 8191; mean score = 53.88) and “pressure from agents” (score value = 9503; mean score = 52.79). The implication is that the urban area respondents feel that the policy is taken mainly because of the reasons, namely, small savings, life cover, and pressure from agents.

**Table 7:** Spending pattern

Items	Minimum %	Maximum %	Mean %
Food	15.00	35.00	22.46
Clothing	7.00	17.00	10.87
Rent	6.00	20.00	10.94
Education	11.00	30.00	18.65
Entertainment	5.00	10.00	5.42
Savings	6.00	14.00	8.79
Insurance	3.00	17.00	6.61
Miscellaneous purposes	3.00	12.00	8.23

**Table 8:** Debt position

Having debt	Number of sample respondents, N (%)		Total, N (%)
	Urban area	Rural area	
Yes	140 (70.0)	176 (88)	316 (79.0)
No	60 (30.0)	24 (12)	84 (21.0)
Total	200 (100.0)	200 (100.0)	400 (100.0)

**Table 9:** Reasons for debt

Reasons for debt	Number of sample respondents			
	Urban area		Rural area	
	N (%)	Rank	N (%)	Rank
Medical expenses	87 (67.4)	II	74 (45.7)	II
Family function	116 (89.9)	I	147 (90.7)	I
Education expenses	54 (41.9)	III	41 (25.3)	V
Emergency expenses	43 (33.3)	IV	67 (41.4)	III
Other reasons	39 (30.2)	V	48 (29.6)	IV

The other reasons such as life cover and savings, planning for future, faith with LIC, and other reasons were placed in fourth, fifth, sixth, and seventh ranks, respectively, by the urban area respondents on the basis of result of mean score.

**FINDINGS OF THE STUDY**

1. The maximum number of respondents falls in the age group of 35–45 years with the sample size of 166 respondents constituting 42%.
2. The major portion of respondents, i.e., 35% fall in the income group of “2. <Rs.5,000.”
3. It is understood that around 74.0% of urban area policyholders and 57.0% of rural area policyholders have the habit of savings. The source “chit fund” is the main source both for the urban area and the rural area respondents in the3. sample study.
4. It can be found from Table 7 that the average spending is higher on food (22.46%) and education (18.65%) when compared to other items of expenditure. The lowest spending is on entertainment (5.42%) followed by medical (6.61%).
5. From the Table 9, it is concluded that due to family function and for the purpose of medical treatment, most of the policyholders have debt. Hence, for this purpose, they have borrowed.
6. According to the urban area respondents, the most important reason for taking policy is “pressure from agents” (score value = 8646; mean score = 59.22). Hence, the first rank is given to this reason. Following this, “small savings” come in second position, whereas, in the case of rural area respondents, the first position goes to “small savings” and the second to “pressure from agents.”

**SUGGESTIONS**

1. In the present study, most of the respondents fall in the age group “more than 35 years.” To attract the poor youth, awareness campaign should be conducted regularly in colleges.
2. To facilitate better penetration of business, it is suggested that more entities such as District Cooperative Banks, Regional Rural Banks, and Individual owners of Kirana shops who have banking correspondence may be permitted to appoint as Agents.
3. Group based policies, alternative products and distribution innovations have to be brought under the regulation to protect and accelerate the growth of in India.

**SCOPE FOR FURTHER RESEARCH**

1. A comparative study on private and public sector life insurance companies may be undertaken for comparing the services.
2. Perception of policyholders toward scheme in Andhra Pradesh can be made to perceive the services of insurance companies.
3. A study on problems of policyholders should be undertaken for analyzing the problems of policyholders.

**Table 10:** Reasons for taking policy by rural area respondents - results of Garrett's ranking technique

Reasons	Total score	Mean score	Rank	Percentage of policyholders responded
Small savings	9791	51.26	4	95.5
Pressure from agents	10100	55.80	1	90.5
Life cover	8251	48.86	6	92.0
Faith with LIC	8532	52.66	3	81.0
Planning for future	8293	50.26	5	82.5
Life cover and savings	8409	55.32	2	76.0
Other reasons	5991	44.05	7	68.0

LIC: Life Insurance Corporation

**Table 11:** Reasons for taking policy by urban area respondents - results of Garrett's ranking technique

Reasons	Total score	Mean score	Rank	Percentage of policyholders responded
Pressure from agents	9503	52.79	3	78.9
Small savings	10479	57.26	1	98.9
Faith with LIC	7989	48.12	6	82.2
Life cover	8191	53.88	2	94.1
Planning for future	7517	48.18	5	78.9
Life cover and savings	8646	51.21	4	86.5
Other reasons	4946	41.21	7	64.9

LIC: Life Insurance Corporation

## REFERENCES

1. Anuradha B. Micro insurance dimension for financial inclusion. *Abhinav Int Monthly Ref J Res Manage Technol* 2015;53:52-6.
2. Karunanithi G. A study on micro life insurance products of LIC of India in Vellore Division, Tamil Nadu. *Int J Emerg Res Manage Technol* 2015;4:4-10.
3. Pushpalatha S. Perception on micro-insurance products among policyholders of LIC with reference to Visakhapatnam District. *Int J Multi Disiplinary Res* 2014;6.

**Cite this article:** Pushpalatha S, Jyothi NV. A study on reasons for buying microinsurance policies with reference to policyholders of Life Insurance Corporation, Visakhapatnam district. *Asian J Multi-Disciplinary Res.* 2018;4(2):27-31.

**Source of Support:** Nil, **Conflict of Interest:** None declared.