A STUDY ON FINANCAIL VALUE OF MICRO INSURANCE AMONG THE LOWINCOME INDIVIDUAL

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Abstract:

This study examines the financial value of micro-insurance among low-income individuals. Micro-insurance provides affordable protection against risks such as illness, accidents, crop failure, and natural disasters. The study aims to evaluate its contribution to financial stability, risk management, and emergency support. Data were collected from 106 respondents using a structured questionnaire and analyzed through percentages, charts, and chi-square tests. The findings reveal that micro-insurance improves financial security and reduces financial burdens during emergencies. However, challenges such as high premiums, claim delays, and limited awareness still exist. The study highlights the importance of micro-insurance in promoting financial inclusion and economic resilience among low-income households.

Key words: Micro Insurance, Financial Value, Low-Income Individuals, Financial Inclusion, Financial Stability, Risk Management.

I INTRODUCTION

Micro-insurance is a financial protection mechanism designed for low-income individuals who are often excluded from traditional insurance services. It offers affordable coverage against risks such as illness, accidents, death, crop failure, and natural disasters. In developing countries like India, many people work in the informal sector and face income instability. Unexpected events can push families deeper into poverty. Micro-insurance helps reduce these risks by providing financial support during emergencies. Despite its benefits, awareness and participation remain limited due to affordability issues and lack of trust. This study evaluates the financial value of micro-insurance and its impact on the financial security of low-income individuals.

STATEMENT OF THE PROBLEM

Low-income individuals face significant financial vulnerability because of irregular income, limited savings, and restricted access to financial services. Unexpected events such as illness, accidents, crop losses, or death often create severe economic hardships and increase poverty levels. Micro-insurance has been introduced to provide financial protection against such risks. However, many low-income individuals remain unaware of available schemes or face barriers related to affordability, accessibility, and trust. Furthermore, there is insufficient evidence regarding the effectiveness of micro-insurance in improving financial stability. Therefore, this study seeks to examine the financial value of micro-insurance and its role in reducing financial risks among low-income individuals.

RESEARCH OBJECTIVES & HYPOTHESIS

Objectives:

1.To examine the adoption and utilization of different micro insurance products.

2.To analyze premium payment frequency patterns among lowincome micro insurance individual

3. To Identify major challenges faced by lowincome individual

4. To assess the level of satisfaction of lowincome individuals towards micro insurance services.

Hypothesis:

null hypothesis(ho): There is no significant difference in the adoption and utilization of different micro insurance products among low-income individuals.

alternative hypothesis (h1): There is a significant difference in the adoption and utilization of different micro insurance products among low-income individuals.

SIGNIFICANCE OF THE STUDY

The study is significant because it evaluates the role of micro-insurance in providing financial protection to low-income individuals. It helps determine whether micro-insurance effectively reduces economic risks caused by illness, accidents, crop failures, and natural disasters. The findings provide useful insights for insurance companies, policymakers, and financial institutions in improving insurance services and expanding coverage. The research also contributes to understanding awareness levels, affordability issues, and customer satisfaction.

SCOPE AND LIMITATIONS

The study focuses on the financial value of micro-insurance among low-income individuals. It examines various types of micro-insurance schemes, including life, health, crop, and accident insurance. The research evaluates their effectiveness in reducing financial risks, improving financial stability, and enhancing customer satisfaction. However, the study has certain limitations. It covers only low-income individuals and excludes other income groups. The sample size is limited to 106 respondents, which restricts broader generalization. Since primary data were collected through questionnaires, responses may be influenced by respondents' awareness levels and personal perceptions regarding micro-insurance.

II REVIEW OF LITERATURE

1. **Craig Churchill (2020)**: This author defined micro-insurance as a highly effective financial mechanism designed to protect low-income individuals from the hardships of sickness, injuries, and death. By utilizing affordable premiums, this mechanism serves as a practical tool for poverty alleviation.
2. **Monique Cohen and Jennet Stabbend (2022)**: These researchers highlighted that micro-insurance offers a valuable layer of financial "cushioning" for individuals against sudden economic shocks. Consequently, this helps minimize the negative impacts of poverty and reduces the necessity for individuals to resort to distress borrowing.
3. **Michael Cord (2024)**: This author conducted an analysis of micro-insurance outreach programs. The findings indicated that these programs enhance risk management capabilities and contribute significantly to ensuring economic stability for low-income families.
4. **Christian Jutting (2003):** Community-based health insurance is an essential aspect of micro insurance since it reduces health-care costs and enhances health care delivery.
5. **Mathieu plateau et. (2017):** Determinants of micro insurance adoption include affordability, trust, awareness.
6. **Robert cull, Asli Demirguc-kunt and jonathan morduch(2009):** The study made by connection between microfinance and micro -insurance supplements the functions of credit through financial risk.
7. **Insurance regulatory and development of authority of indian(2018):** IRDAI revealed that micro insurance products have played a vital role in financial inclusion by offering risk protection services in low income communities.
8. **Stefan Dercon (2005):** unInsured risks may drive low income into poverty whereas micro-insurance helps stabilize their incomes.

RESEARCH DESIGN

The study adopts a descriptive and exploratory research design to analyze the financial value of micro-insurance among low-income individuals. A quantitative research approach was used to collect measurable and objective data. Structured surveys were conducted to gather information regarding awareness, adoption, affordability, and financial benefits of micro-insurance. Statistical tools such as percentages, pie charts, bar graphs, and chi-square tests were employed to analyze the collected data. The research design allows for systematic examination of respondents' experiences and perceptions while ensuring reliability and validity in evaluating the impact of micro-insurance on financial stability.

SAMPLING TECHNIQUE

The study focuses on low-income individuals, particularly those working in informal and unorganized sectors such as daily wage workers, farmers, and self-employed persons. A sample 106 respondents was selected for the research. Stratified random sampling was adopted to ensure adequate representation of different income and occupational groups.

III DATA COLLECTION METHODS

Primary data were collected from 106 respondents through a structured questionnaire. The questionnaire consisted of 23 questions covering demographic characteristics, awareness, adoption, affordability, financial benefits, challenges, and satisfaction related to micro-insurance. The survey method was used because it allows collection of standardized information from a large number of participants. Closed-ended questions facilitated quantitative analysis of responses. Data collection focused on obtaining first-hand information directly from low-income individuals regarding their experiences with micro-insurance.

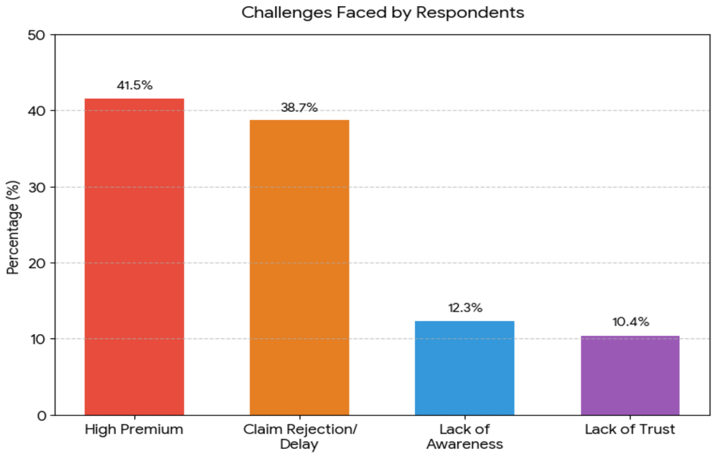
TOOLS USED

Various statistical and analytical tools were used to interpret the collected data. Percentage analysis was employed to summarize respondents' characteristics and responses. Pie charts and bar graphs were used for visual presentation and comparison of data. Chi-square tests were conducted to examine the significance of relationships among variables and test research hypotheses. Statistical analysis was performed using SPSS Version 20.0. These tools enabled systematic analysis of awareness levels, adoption patterns, affordability perceptions, challenges faced by respondents, and the overall impact of micro-insurance on financial stability and economic security.

IV DATA ANALYSIS

1.What challenges have you faced regarding micro insurance

CHARACTERSTICS	NO OF RESPONSES	PERCENTANHES	CHIQ SQUARE	p.value
lack of awareness'	13	12.30%	27.95	0.000017
high premium	44	41.50%		
claim rejection /delay	41	38.70%		
lack of trust	11	10.40%		

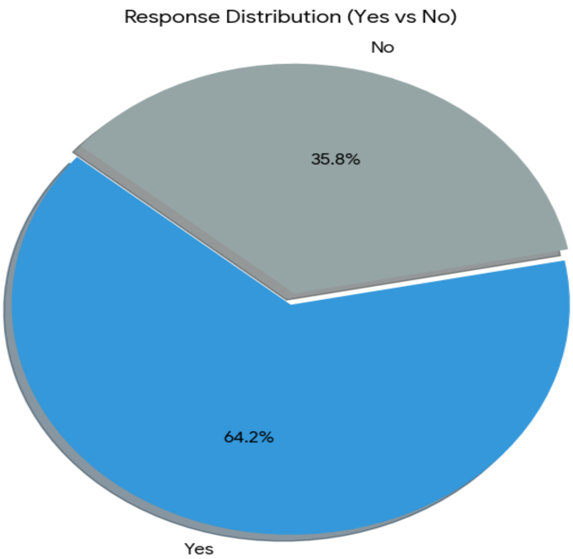


Interpretation:

In relation to "What challenges have you faced regarding micro-insurance" with total response being 109, 44 respondents or 41.5% gave high premium as their challenge, 41 respondents or 38.7% claim rejection/delay, 13 respondents or 12.3% lack of awareness, and 11 respondents or 10.4% lack of trust. The chi-square statistics is 27.95 with the p-value at 0.000001. The p-value shows that the differences between the challenges are highly significant since $p < 0.05$. The results reveal that high premium and claim rejection/delay are the two main challenges, accounting for more than 80% of all the response

2. Are you happy with service

CHARACTERSTICS	NO OF RESPONSES	PERCENTANGES	CHI-SQUARE	p.value
Yes	68	64.20%	8.5	0.0036
No	38	35.80%		

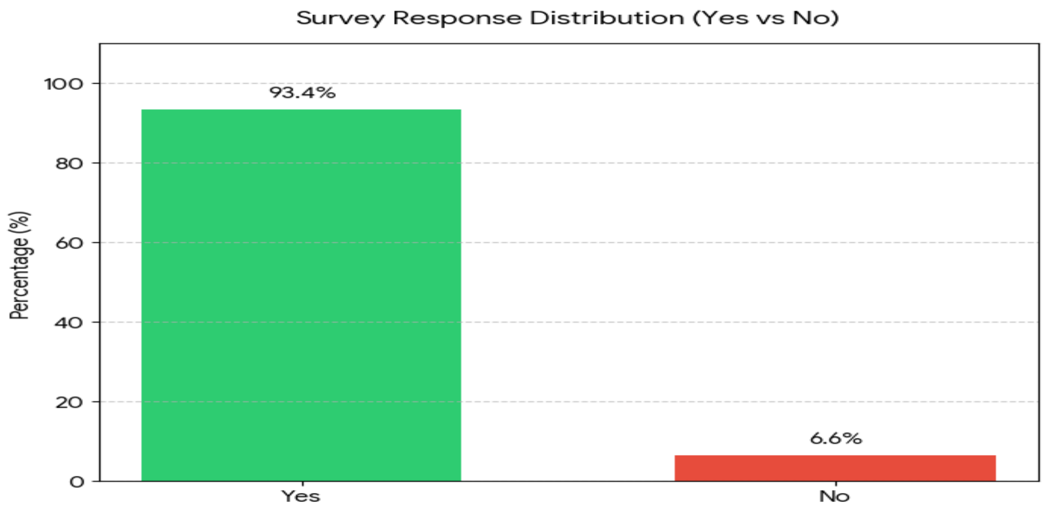


Interpretation

Regarding the question "Are you happy with the service," out of 106 responses, 68 respondents (64.2%) answered "Yes," while 38 respondents (35.8%) answered "No." The chi-square statistic is 8.5 with a p-value of 0.0036, which is significant because the p-value is less than 0.05. Hence, there is a significant difference between those who are satisfied and those who are not satisfied with the service.

3.Do you currently have micro insurance policy

CHARCTERSTICS	NO OF RESPONSES	PERCENTANGES	CHIQ SQAURE	p.value
Yes	99	93.40%		
No	7	6.60%	78.4	0.000017

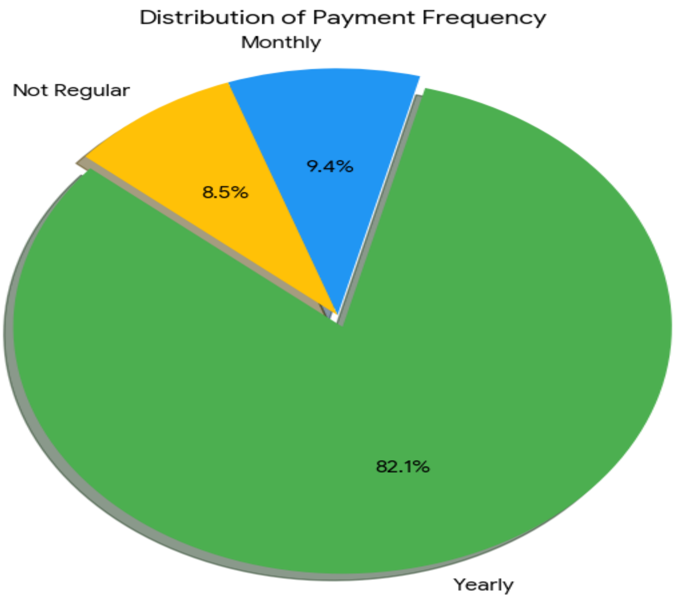


Interpretation:

Out of 106 survey participants, 99 individuals represent 93.4% of those who have micro-insurance coverage at present while 7 people constitute 6.6% of those who lack such coverage. Chi-Square value equals 79.84 with p = 0.000017 that is statistically significant as $p < 0.05$, thus indicating that there is no randomness behind such an evident gap between yes/no answers.

4.How often do you pay

CHACTERSTICS	NO OF RESPONSES	PERCENTANGES	CHIQ SQUARE	p.value
Yearly	87	82.10%		
Monthly	10	9.40%		
not regular	9	8.50%	113.37	0.0000017



Interpretation:

Regarding "How often do you pay?" based on 106 responses, 87 respondents or 82.1% pay annually, 10 respondents or 9.4% pay monthly, and 9 respondents or 8.5% pay occasionally. Here, the chi-square value is 113.37, and p-value = 0.000017, which indicates that there is a high level of significance (since $p < 0.05$). This means there is statistical evidence of a significant preference for annual payments over monthly and occasional payments.

V. FINDINGS , SUGGESTIONS, AND COCNCLUSIONS.

FINDINGS

The study found that 93.4% of respondents currently possess a micro-insurance policy, indicating high adoption levels. Health insurance emerged as the most preferred micro-insurance product. Most respondents (82.1%) preferred annual premium payments. A large majority (89.6%) reported improved financial stability due to micro-insurance, while 84.9% stated that it reduced their financial burden during emergencies. Major challenges identified were high premiums and claim rejection or delays. Customer satisfaction levels were generally positive, with 64.2% expressing satisfaction with services. These findings demonstrate the positive role of micro-insurance in enhancing financial protection among low-income individuals.

SUGGESTIONS:

Insurance companies should increase awareness about micro-insurance through financial literacy programs, social media campaigns, and community outreach activities. Premium rates should be made more affordable for low-income households, and flexible payment options should be introduced. Claim settlement procedures need to be simplified and accelerated to improve customer trust and satisfaction. Special attention should be given to rural and semi-urban areas where awareness remains limited. Governments and regulatory authorities should support micro-insurance through subsidies, policy support, and effective monitoring. Additionally, the use of digital platforms and mobile applications can improve accessibility and service delivery.

CONCLUSION:

The study concludes that micro-insurance plays a vital role in improving the financial security of low-income individuals. It provides protection against financial shocks arising from illness, accidents, crop failures, and natural disasters. The findings indicate that micro-insurance contributes significantly to financial stability and reduces the need for borrowing during emergencies. Health insurance was identified as the most widely preferred product. Despite its benefits, challenges such as high premiums, claim delays, and trust issues continue to affect effectiveness. Strengthening awareness programs, improving service quality, and ensuring affordable coverage can further enhance the impact of micro-insurance on financial inclusion and poverty reduction.

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