

**Behavior Of Policyholders Towards Micro Insurance  
(A Study with Reference to LIC in Salem Division)**

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**Abstract**

*Micro insurance contributes significantly to alleviate poverty and to raise the living standard of the people of the country. It is an effective tool for economic growth and development. A LIC micro insurance product has provided affordable premium, so the poor people are investing it, which will help to reduce poverty as a tool for economic development. Hence, the present study makes attempts on micro insurance policyholder's behavior, preference for purchase plans and satisfactions towards LIC micro insurance products. The main objectives of the study is to evaluate the awareness level of policyholders on the micro insurance, to examine prefer life micro insurance policies and satisfaction level of the policyholders about micro insurance policies. A well-structured interview schedules has been used to collect the primary data from Salem division a total sample size of 610 micro insurance policyholders. The primary data collected was analyzed with relevant statistical tools like percentage analysis, mean score which are used to evaluate the behavior of micro insurance with the help of a Likert scale technique. From the examined data results were shows that maximum policyholders were aware of rules and regulations and the respondents were satisfied with Reminder for revival, easy term & conditions of the policies. They finally concluded that, Micro Insurance is not only to cover the risk involved in an individual, but also the family to the extent.*

**Keywords: Micro Insurance plans, Low Income People, Poverty, Risk, Social Security, Behavior of Policyholders, Preference.**

## INTRODUCTION

<sup>1</sup>Insurance has played a very positive impact on the economic development of our nation. In addition, insurance has directly as well as indirectly enhanced the employment opportunities in India. The Insurance sector is not only contribute to the country's Gross Domestic Product (GDP) and infrastructure facilities also contributing to increasing investments and savings of people in each and every year. The LIC micro insurance regulation of 2005 was a pioneering approach by the Insurance Regulatory Development Authority (IRDA). India is among the few countries to draft and implement specific micro insurance regulations. In 2002 IRDA developed rural and social sector obligation norms that mandated every insurance company to achieve a certain percentage of policies to be sold in rural areas and a number of lives to be covered in the poor people. <sup>2</sup>Insurance Regulatory and Development Authority (IRDA) have created a special category of insurance policies called micro insurance policies to promote insurance coverage among economically vulnerable sections of society. Micro insurance is one of the unique and important segments of insurance, which provides financial assistance to the poor people in the country. Micro insurance plays a vital role in the development of economy and social like protection of the peoples by offering long term funds for the development and living standards and strengthening the risk taking ability of the people.

## REVIEW OF LITERATURE

**D. Geetha and S. Vijayalakshmi (2014)** have proposed "A Study on the Behavior of Micro (Life) Insurance Policy Holders". The micro insurance is playing a significant role in improving the lives of poor households, linking micro insurance with micro finance creating a better sense as it helps in bringing down the cost of borrowing. **Mitul Deliya et al.,(2012)**have attempted to study the "Awareness of Micro Insurance Product "Like all the others they also need to be protected from these risks. Policy induces an institutional,

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<sup>1</sup> S.Vijayalakshmi ,Dr.D.Geetha" Perception towards LIC's Micro Insurance Policies among Policy Holders" IPASJ International Journal of Management (IJM), Volume 3, Issue 8, ISSN 2321-645X August 2015.

<sup>2</sup> Prof.S K.Ganesan and Shanmuga Priya (2011) Reducing Vulnerability- The Demand for micro insurance in india'learning private limited, New Delhi.

innovating and promoting insurance among the lower income people. **Ramalakshmi, C and Dr. Ramalingam,L(2014)** have attempted to study the “Awareness of Micro Insurance” The period of awareness seems to be better and there is no significant relationship between the socio-economic factors and the period of awareness about micro insurance products of Life Insurance Corporation of India. **Dr.PritiBakhshi (2016)** has attempted to assess the “Review of Progress and Potential of Micro Insurance in India”. The developer of micro insurance is both a moral and an economic imperative not only for achieving the inclusive financial systems but also for the equitable mitigation of risks. **Dr.Sreemoyee Guha Roy(2015)** has analyzed the “Overview of Current Micro insurance Policies”. The development of micro insurance cannot take place independently they need a collaborative effort of economic development, improved healthcare, education and political stability etc. **Shaji. A.S, and Dr. R. Neelamegam (2016)** “Micro Insurance opportunity for Growth.” identifying the most and the least influencing factors, provides guidelines for the formation of policies that would enhance the social security by identifying the socio-economic characteristics of investors that impact on their investment decision.. The Government and also insurance company have to create the awareness program among to the public. **V.Muruges (2015)** his article “Policyholders’ Preference and satisfaction Towards Life Insurance Corporation”. The contribution to the nation building through strengthening the economy of a country, improving of the health care facilities, education as well as employment shall go a long way to ultimately improving the quality of the life of the individual members of the society.

## **STATEMENT OF THE PROBLEM**

<sup>3</sup>They are problems faced by poor people’s such as old age problems, unemployment, illness, accident, sudden death of the sole earning member’s disability, low income generation, loss of property due to theft of fire, agricultural losses ,disasters of both the natural and manmade varieties etc. More than 50 percent percentages of the poor people’s around the globe do not benefit by any kind of social security. So they are unable to make investment and savings for future. The insurance business is the main financial service under

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**IRDA Report 2019.**  
**Micro Insurance Network / Centre Report 2019.**

the financial inclusion framework of the government of India introduced micro insurance policies. Micro insurance is to offer insurance plans to low-income populations by reducing the poverty alleviate financial cover, protect family, LIC service, affordable cost, and community development, and creates wealth and macro economic development of the country. Poor and rural peoples are not purchasing the micro insurance because of the low awareness level, lack of finance and illiterate. The researcher intended to conduct study behavior of policyholders towards micro insurance in day to day life and health future plans launch by the government and the life insurance corporation of India.

## **IMPORTANCE OF THE STUDY**

<sup>4</sup>It is a tool for economic growth and development by providing insurance sectors, small scale business little savings, low income household insure to insurance policies and increase members of the society in the developing world. It is aimed at low income population reduce poverty alleviates to help them eliminate risks to supported to insurance policy. Poor people's are taken micro insurance products helps to poverty alleviate, savings-investment habits, financial management services, social security, increased family income, eliminate unexpected risk, and reasonable premium for life, health or property insurance products usage of secure life for the future. This study has identified the significant between policyholder's behavior and preference for taking micro insurance plans and level of awareness plans in such a way as to attract the rural and urban policyholders. The contemporary insurance creating made their policies, peoples trust and better services offered and goodwill of public and private sectors. Insurance assists in making, saving possible and helps to furnish a safe and profitable investment.

## **OBJECTIVES OF THE STUDY**

**Following are the objectives of the study**

1. To evaluate the awareness level of policyholders on the LIC micro insurance.
2. To find out reason joining to the LIC micro insurance of policyholders in salem division.
3. To measure the satisfaction level of the policyholders about micro insurance policies.

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<sup>4</sup> **IBEF India brand equity foundation.**  
[www.ibef.org/download/Insurance-Report-July-2018.pdf](http://www.ibef.org/download/Insurance-Report-July-2018.pdf)  
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**RESEARCH METHODOLOGY**

➤ **Research Design**

The research design is empirical and analytical in nature.

➤ **Sample Size & Method**

The study 610 sample size was adopted by used Z score formula. The convenience sampling method has framed to choose the policyholder from Salem Division.

➤ **Data Collection**

The data collected through interview scheduled of 610 policyholders in the Salem LIC division such as Dharmapuri, Salem, and Namakkal. A well-structured interview schedules were prepared to record responses.

➤ **Data Analysis**

The collected data was analyzed through SPSS. The following test are used to find out results of study such as simple percentage and mean score analysis.

**RESEARCH ANALYSIS**

**I Demographic Variables of the Respondents**

**Table: 1.1  
Socio-Economic Profiles of the Respondents**

|                                  | <b>Particulars</b> | <b>Frequency</b> | <b>Percentage</b> |
|----------------------------------|--------------------|------------------|-------------------|
| <b>Gender</b>                    | Male               | 206              | 33.8              |
|                                  | <b>Female</b>      | <b>404</b>       | <b>66.2</b>       |
| <b>Age Group</b>                 | Below 18-25 years  | 52               | 8.5               |
|                                  | <b>25-35 years</b> | <b>190</b>       | <b>31.1</b>       |
|                                  | 35-45 years        | 185              | 30.3              |
|                                  | Above 45 years     | 183              | 30.0              |
| <b>Educational Qualification</b> | Illiterate         | 207              | 33.9              |
|                                  | <b>Upto HSC</b>    | <b>259</b>       | <b>42.5</b>       |
|                                  | Diploma / ITI      | 53               | 8.7               |
|                                  | Degree Level       | 91               | 14.7              |

|                                 |                       |            |             |
|---------------------------------|-----------------------|------------|-------------|
| <b>Place of Residence</b>       | Rural                 | 248        | 40.7        |
|                                 | <b>Urban</b>          | <b>355</b> | <b>58.2</b> |
|                                 | Semi- urban           | 7          | 1.1         |
| <b>Marital Status</b>           | <b>Married</b>        | <b>453</b> | <b>74.3</b> |
|                                 | Unmarried             | 69         | 11.3        |
|                                 | Widow                 | 88         | 14.4        |
| <b>Types of Family</b>          | <b>Nuclear family</b> | <b>334</b> | <b>54.8</b> |
|                                 | Joint family          | 274        | 44.9        |
| <b>No. of Family Members</b>    | Below 1- 3 members    | 162        | 26.6        |
|                                 | <b>4-6 members</b>    | <b>281</b> | <b>46.1</b> |
|                                 | 7-9 members           | 136        | 22.3        |
|                                 | Above 10 members      | 31         | 4.9         |
| <b>Occupation</b>               | <b>Agriculture</b>    | <b>212</b> | <b>34.8</b> |
|                                 | Private employee      | 133        | 21.8        |
|                                 | Govt, employee        | 76         | 12.5        |
|                                 | Business              | 50         | 8.2         |
|                                 | House wife            | 46         | 7.5         |
|                                 | Others                | 93         | 15.2        |
| <b>Monthly Household Income</b> | Upto 5000             | 146        | 23.9        |
|                                 | <b>5001-10000</b>     | <b>209</b> | <b>34.3</b> |
|                                 | 10001-15000           | 183        | 30.0        |
|                                 | Above 15000           | 72         | 11.8        |

|              |            |              |
|--------------|------------|--------------|
| <b>Total</b> | <b>610</b> | <b>100.0</b> |
|--------------|------------|--------------|

(Source: *Primary data*)

**Interpretation**

The finding of the study revealed that the gender details of the respondents out of 610 policyholders. The majority 66.2 percent of the policyholders were female and 33.8 percent of the male policyholders. Were belonged to the age group of 18-25 years, whereas minority of the policyholders was 25-35 years age group majority 31.1 percent. The educational details of the respondents out of 610 policyholders, highest 259 policyholders 42.5 percent of the policyholders up to HSC level. The majority of the policyholders were belonged to urban area 58.2 percent. Out of the 610 policyholders 74.3 per cent of the policyholders were married and types of family majority of policyholders 54.8 percent nuclear families and the number of family members involved 46.1 percent 4-6 members .The policyholders occupation majority 34.8 percent, the monthly income of the policyholders revealed that 34.3 percent policyholders earn below Rs. 5000 -10000 as their monthly household income.

**II. Sources Joining Reason for Micro Insurance Policyholders**

**Table: 1.2**  
**Types of Micro Insurance Policies taken by Policyholders**

| S.No | Policies     | No. of Policyholders | Percentage   |
|------|--------------|----------------------|--------------|
| 1    | JeevanMathur | 369                  | 60.5         |
| 2    | JeevanMangal | 146                  | 23.9         |
| 3    | Jeevan Deep  | 93                   | 15.2         |
|      | <b>Total</b> | <b>610</b>           | <b>100.0</b> |

(Source: *Primary data*)

**Interpretation**

The table shows that, out of the 610 respondents, 60.5 percent of the respondents jeevan mathur micro insurance policy buying, 23.9 percent of the respondents taking jeevanmangal plans and 15.2 percent of the respondent’s jeevan deep policies purchased. It reviews that the majority of respondents buying jeevanmathur micro insurance policies under

the scheme. Few policy holders have the knowledge about it and they have taken the jeevan deep policy.

**III. Level of Awareness of Policies towards Micro Insurance**

**H<sub>0</sub>:** There is no significant difference between awareness levels about micro insurance plans.

**Table 1.3**  
**Level of Awareness of Plans by the Respondents Mean Score**

| S.No | Awareness of MI Policy                    | Highly Unaware | Unaware | Neutral | Aware | Highly Aware | Score |
|------|---|----------------|---------|---------|-------|--------------|-------|
| 1    | Rules and Regulations in Micro Insurance  | 19             | 35      | 346     | 171   | 39           | 3.53  |
| 2    | Market Situation in Micro Insurance       | 16             | 47      | 307     | 215   | 25           | 4.8   |
| 3    | Risk Coverage of Families Microinsurance  | -              | 2       | 236     | 347   | 25           | 3.47  |
| 4    | Concept of Microinsurance                 | -              | 6       | 185     | 355   | 64           | 3.53  |
| 5    | Types of Products in Micro insurance      | 4              | 10      | 287     | 279   | 30           | 3.41  |
| 6    | Plans and Programmes in Micro Insurance   | -              | 12      | 342     | 234   | 22           | 3.09  |
| 7    | Different Micro Insurance Companies       | -              | 8       | 320     | 259   | 23           | 3.62  |
| 8    | Procedures Involved in MI                 | 2              | 4       | 360     | 230   | 14           | 3.65  |
| 9    | Providers in Micro insurance              | -              | 21      | 292     | 263   | 34           | 2.84  |
| 10   | Benefits of Microinsurance                | 2              | -       | 132     | 397   | 79           | 4.09  |
| 11   | Distribution Channels adopted in MI       | -              | 14      | 319     | 249   | 28           | 3.12  |
| 12   | Mode of Premium Payment in MI             | -              | -       | 150     | 428   | 32           | 3.89  |
| 13   | Grace Period and its Utilization          | 2              | 2       | 153     | 398   | 55           | 4.48  |
| 14   | Characteristics of Microinsurance         | -              | 13      | 240     | 317   | 40           | 4.45  |
| 15   | Safer Investment in Faithful Organization | -              | 4       | 210     | 378   | 18           | 3.92  |

|  |  |                   |             |
|--|--|-------------------|-------------|
|  |  | <b>Mean Score</b> | <b>3.50</b> |
|--|--|-------------------|-------------|

(Source: Primary data)

**Interpretation**

The levels of awareness about micro insurance products are determined on the basis of mean score of all the statements of the respondents. The respondents were highly score natural with the rules and regulations in micro insurance, market situation in micro insurance, plans and programs in micro insurance, different micro insurance companies, procedures involved in MI , distribution channels adopted in MI as their entire variable had a mean score exceeding 3.50. Aware variables were risk coverage of life & families of MI, concept of MI, types of products in micro insurance, providers in MI, benefits of MI, mode of premium payment in MI, grace period and its utilization, characteristics of MI, safer investment in faithful organization had a mean score less than 2.84 which concludes that the awareness level of the respondents are low level.

**VI. Level of Satisfaction towards Micro Insurance Policies**

**H<sub>0</sub>:** There is no significant difference between levels of satisfaction about micro insurance provider.

**Table 1.4**  
**Level of Satisfaction towards Micro Insurance**

| S.No | Policies                             | S.D.S | D.S | N   | S   | H.S | Score |
|------|--------------------------------------|-------|-----|-----|-----|-----|-------|
| 1    | Reminder for revival                 | -     | 22  | 287 | 291 | 10  | 3.41  |
| 2    | Easy term & conditions of policies   | -     | -   | 201 | 338 | 71  | 3.06  |
| 3    | Help to cover expenses from accident | 12    | 2   | 201 | 337 | 58  | 4.67  |
| 4    | Benefit to offered under policy      | -     | 4   | 104 | 399 | 103 | 4.84  |
| 5    | Variety of policies / products       | 8     | 6   | 228 | 298 | 65  | 4.50  |
| 6    | Customer service                     | -     | 12  | 247 | 322 | 29  | 4.43  |
| 7    | Intermediaries response              | -     | 20  | 300 | 255 | 35  | 3.51  |

|    |   |                   |    |     |     |     |             |
|----|---|-------------------|----|-----|-----|-----|-------------|
| 8  | Giving sufficient information                 | -                 | 2  | 267 | 331 | 10  | 3.09        |
| 9  | Claim processing                              | -                 | 2  | 282 | 268 | 58  | 3.62        |
| 10 | Vested bonus                                  | -                 | 2  | 171 | 335 | 102 | 4.58        |
| 11 | Security and safety of family                 | -                 | 9  | 48  | 212 | 341 | 3.48        |
| 12 | Risk coverage                                 | -                 | 6  | 53  | 221 | 329 | 3.65        |
| 13 | Enhanced Savings habit and standard of living | 2                 | 6  | 72  | 142 | 388 | 4.85        |
| 14 | Improved in financial management skills       | 2                 | 4  | 70  | 176 | 289 | 4.55        |
| 15 | Improved economic status                      | -                 | 10 | 36  | 183 | 384 | 4.49        |
|    |   | <b>Mean Score</b> |    |     |     |     | <b>4.45</b> |

(Source: Primary data)

**Interpretation**

The level of satisfaction towards various micro insurance products is determined on the basis of mean score of all the statements of respondents, which came out to be 4.45 for the sample respondents. The respondents were satisfied with reminder for revival, easy term & conditions of policies, help to cover expenses from accident, benefit to offered under policy, variety of policies / products, customer service, intermediaries response, giving sufficient information, vested bonus, security and safety of family’s all their variables had mean score exceeding 4.45. However , they’re highly satisfied regarding variables such as security and safety of family, risk coverage, enhanced savings habit and standard of living, improved in financial management skills, improved economic status, etc. had the mean score less than 3.05, which concludes that the satisfaction level of the respondents highly significantly.

**FINDINGS**

- The gender profile based on the majority reveals that the female category has predominated. The majority of the policyholders are married. The age group of 25-35 years which reveals that the opinions are from the younger generation and they form the higher level of policyholders 31.1% is education upto HSC 42.5% and

urban areas. It shows that 34.3% of the respondents live in household income Rs.5001 – Rs.10, 000. They are the important target group live in poverty to be covered by micro insurance and they get the benefit of policyholders. It shows that 54.8% of the sample is from the nuclear family system, their family size of 4 – 6 members. It shows micro insurance authorities have to spread the message of micro insurance through Self Help Group, agents, micro insurance institutions and NGOs.

- The results indicate that, the respondents are aware of rules and regulations risk coverage of life & families of MI, concept of life MI, benefits of MI, mode of premium payment in MI, grace period and its utilization, characteristics of MI, safer investment in faithful organization, 'neutral' rules and regulations in micro insurance, market situation in micro insurance, types of products in micro insurance, plans and programs in micro insurance, different micro insurance companies, procedures involved in MI as all these statements have mean score 3.50 and above 4.45. The result shows neutral value in Micro insurance rules and regulations in LIC. More than 60% of the insuring respondents are aware population of these regulations. Other than 40% of the respondents are not aware.
- The level of satisfaction towards various micro insurance products is determined on the basis of mean score of all the statements of the respondents, which came out to be 4.45 for the sample respondents. The respondents were satisfied with reminder for revival, Easy term & conditions of the policies, Help to cover expenses from accident, benefit to offered under the policy, variety of policies / products, customer service, intermediaries response, giving sufficient information, vested bonus, security and safety of the family as all their variables had a mean score exceeding 4.45. Which concludes that the satisfaction level of the respondents highly significantly.

## **CONCLUSION**

The micro insurance plays significance in developing the lower income group people's economy. The micro insurance is making lower income groups to become financially aware and most support micro finance involved. The study results reveal that the policyholder has aware of the policy details of micro insurance. Hence, there should be

aware of micro insurance among the rural peoples, particularly those who belong to the weaker section of the society. The satisfaction levels of the micro insurance policyholders have a major impact on the insurance sector. This study has successfully met the satisfaction of policyholder regarding that micro insurance policy. Thus micro Insurance is a tool not only to cover the risk involved in an individual, but covering also the family to the extent. However, the micro insurance has support to increase the standard of living of people and poverty reduction in weaker section of the society.

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