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   REVIEW OF LITERATURE

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

MARKETING OF INSURANCE PRODUCTS IN RURAL INDIA: A BIG CHALLENGE

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ABSTRACT

A large population of India lives in the rural areas. The impact of risks associated with life, health and property are far more severe on this population as compared to the urban population with higher levels of income. The Indian insurance market is opened to private players to reach all sections of the society in both rural and urban areas. The rural area is most untapped by any insurance company. The government is trying hard to protect the rural people from risks. It has introduced many insurance schemes to cover the rural mass in to insurance sector. The insurance companies are also making efforts to improve the rural business. Still they have not achieved the objective to a fuller extent. Therefore, there is a vast opportunity for insurance companies to reach the rural area with innovative products which suits the needs of rural mass. Reaching out to the rural mass is not easy. Lack of financial literacy, low per capita income, lacklustre attitude of the people, apathy of intermediaries to visit far off places etc are the major challenges faced by the insurance companies. To unleash this potential, insurance companies will need to show long-term commitment to the sector, design products that are suitable for the rural population and utilise appropriate distribution mechanisms. Insurance companies will have to pay special attention to the characteristics of the rural population and their life styles and pattern of earnings before they can successfully penetrate the rural sector.

KEYWORDS

Financial Literacy, Risk, Rural insurance, Property, Organised sector.

INTRODUCTION

As per 2011 census 68.8% of Indian population lives in rural area and also many living in urban area works under unorganised sector. Most of them are uneducated. Some are educated but they do not know anything about the social security measures. Risk is inevitable in everyone's life. Risk may be in the form of loss of life, loss of property, High cost of health etc. A human being cannot avoid all these risks. But we are having a mechanism through which loss can be mitigated or compensated in one or the other form. Insurance is the one way which helps us to get protection against various types of losses. Protecting our most important assets is an important step in creating a solid personal financial plan. The right insurance policies will go a long way in safeguarding earning power and possessions. The soaring cost of medical care is reason enough to make health insurance a necessity. Even a simple visit to the family doctor can result in a hefty medical bill. More serious injuries that result in a hospital stay can generate a bill that tops the price of a one month consumption expenses. Injuries that require surgery can quickly rack up five-figure costs. Although the ever-increasing cost of health insurance is a financial burden, for just about everyone, the potential cost of not having coverage is much higher. Indian agricultural sector is full of uncertainties. All efforts made in a year may disappear at the end with so many natural calamities. Drought or floods are the two epics which normally follows Indian agriculture. If the crops damaged due to rain or storm or some pests even after proper care, farmer will lose everything. It can be compensated with the help of insurance. The population of India is not serious about the insurance. Indian population is not inching towards purchasing insurance products. It is because of financial problem and in some cases lack of knowledge and improper planning of financial asset. Population working in the organised sector, more or less, covered under life insurance and to some extent other insurances. Unfortunately, the persons working in agriculture and in unorganised sector have not been covered by any insurance. Agricultural labourers, Hawkers, street vendors, construction workers etc are outside the purview of insurance. Government is doing all out efforts to include them under social security network by providing them cover of insurance. At the same time IRDA has made it mandatory for insurance companies operating in the life insurance to do certain percentage of business in rural areas. Insurers who begins to transact life insurance business in the year 2000 or later, are required do business in the rural area is as under:

Financial Year	Percentage of total policies
First Financial Year	5%
Second Financial year	9%
Third Financial Year	12%
Fourth Financial Year	14%
Fifth Financial year	16%

The government has introduced many schemes to cover the variety of persons. The following are the schemes introduced by the government:

AAM AADMI BIMA YOJANA

Aam Admi Bima Yojana, a Social Security Scheme for rural landless household was launched on 2nd October, 2007. The head of the family or one earning member in the family of such a household is covered under the scheme. The premium of Rs.200/- per person per annum is shared equally by the Central Government and the State Government. The member to be covered should be aged between 18 and 59 years. The benefit available under this scheme is Rs 30,000 on natural death, Rs 75,000 on death due to accident/on permanent disability or Rs 37,500 on partial disability. A separate fund called "Aam Admi Bima Yojana Premium Fund" has been set up by Central Govt. to pay the Govt. contribution. Fund is maintained by LIC. A free add-on benefit in the form of scholarship to children is also available under the Scheme.

JANASHREE BIMA YOJANA

Janashree Bima Yojana was launched on 10th August 2000. The Scheme has replaced Social Security Group Insurance Scheme (SSGIS) and Rural Group Life Insurance Scheme (RGLIS). 45 occupational groups have been covered under this scheme It provides life insurance protection to people who are below poverty line or marginally above poverty line. Persons between aged 18 years and 59 years and who are the members of the identified 45 occupational groups are eligible to be covered under the Scheme. The benefit available under this scheme is Rs 30,000 on natural death, Rs 75,000 on death due to accident/on permanent disability or Rs 37,500 on partial disability. The premium for the scheme is Rs. 200/- per member, 50 % premium under the scheme is met out of Social Security fund set up in the year 1988-89 which is maintained by LIC. The balance 50% premium is borne by the member and/ or Nodal Agency.

SHIKSHA SAHAYOG YOJANA AS ADD-ON BENEFIT

The scheme was launched on 31st December, 2001. Scholarship as a free add-on benefit is provided under both Janashree Bima Yojana and Aam Admi Bima Yojana to maximum of two children of the beneficiary studying between 9th to 12th standard (including ITI courses) @ Rs. 100 per month for each child payable half yearly on 1st July and 1st January, every year. The benefit is without any additional premium. For meeting the expenditure on Scholarship benefit under

Aam Admi Bima Yojana a separate fund has been set up by Govt. of India called "Aam Admi Bima Yojana Scholarship Fund. Fund is maintained by LIC of India. For Jana Shree Bima Yojana scholarship expenditure is paid out of Social Security Fund. Apart from above two schemes, the earlier old Social Security Schemes namely Social Security Group Scheme, Integrated Rural Development Programme (IRDP), Swarnjayanti Gram Swarojar Yojana(SGSY) for the existing lives continued to be administered by LIC. These schemes are closed for the new lives from the year 2000 onwards.

MICRO-INSURANCE PRODUCTS

"Jeevan Madhur" a simple savings related life insurance plan for low income persons was launched in 2006. On surviving to the date of maturity, sum assured is paid alongwith vested bonus if any. On death of the policy holder, death benefit amount equal to the total premiums payable during the entire term of the policy will be paid alongwith vested bonus if any.

"Jeevan Mangal", LIC's second Micro Insurance product, was launched in 2009. It is a term insurance plan with return of premiums paid on maturity, provided the policy is in force. On death during the term of the policy, the sum assured under the basic plan is payable, provided the policy is in force.

Varishtha Pension Bima Yojana

VPBY meant for senior citizens aged 55 years and above was launched on 14.7.2003. Under the scheme the pensioner gets an effective yield of 9% per annum on the investment. The difference between the effective yield of 9% paid to the pensioner and that earned by LIC is compensated as subsidy to LIC by the Government of India.

Universal Health Insurance Scheme

The four public sector general insurance companies have been implementing Universal Health Insurance Scheme for improving the access of health care to poor families. The scheme provides for reimbursement of medical expenses upto Rs.30,000/- towards hospitalization floated amongst the entire family, death cover due to an accident @ Rs.25,000/- to the earning head of the family and compensation due to loss of earning of the earning member @ Rs.50/- per day upto maximum of 15 days. The Universal Health Insurance Scheme (UHIS) has been redesigned targeting only the BPL families. The premium subsidy has been enhanced from Rs.100 to Rs.200 for an individual, Rs.300 for a family of five and Rs.400 for a family of seven, without any reduction in benefits.

National Agricultural Insurance Scheme

The Government of India introduced the scheme from Rabi 1999-2000 season to protect the farmers against losses suffered by them due to crop failure on account of natural calamities. The scheme is currently implemented by Agriculture Insurance Company of India (AICIL). The scheme is available to all the farmers irrespective of size of their holding. The scheme covers all food crops and oil seeds and Annual commercial/ horticultural crops. At present, 10% subsidy on premium is available to small & marginal farmers. NAIS is presently being implemented in 24 States and 2 Union Territories except in States of Punjab & Arunachal Pradesh. Nagaland has given consent to implement the scheme and Rajasthan has decided to implement WBCIS in place of NAIS. Claims are automatically calculated based on shortfall in the current season yield obtained from crop cutting experiments conducted by State Governments under General Crops Estimation Survey (GCES) as compared to threshold yield and settled through the rural banking network. The Company is making efforts to bring the remaining States/ UTs into the fold of NAIS.

Pilot Modified National Agricultural Insurance Scheme

Pilot MNAIS was launched for implementation in 50 districts during Rabi 2010-11 season. Modified NAIS has many improvements over NAIS like the insurance unit for major crops has been lowered down to village / village Panchayat, minimum indemnity level has been raised to 70%, threshold yield is based on past seven years' yield excluding a maximum of two calamity years, pre-sowing and post-harvest loss are covered. Besides these, On-account payment of claims during the season and payment of claims for sowing failure have also been included. The benefit of individual assessment of claims due to localized calamities has been extended to all the notified areas.

Pilot Weather based Crop Insurance Scheme

Weather Based Crop Insurance Scheme (WBCIS) aims to mitigate the hardship of the insured farmers against the likelihood of loss on account of anticipated crop loss resulting from incidence of adverse conditions of weather parameters like rainfall, temperature, frost, humidity etc. While crop insurance specifically indemnifies the cultivator against shortfall in crop yield, WBCIS is built upon the fact that weather conditions affect crop production even when a cultivator has taken all the care to ensure good harvest. Payout structures are developed to compensate cultivators to the extent of losses deemed to have been suffered by them using the weather triggers. It has been introduced from the 2008-09 in some states and gradually many states have took interest participated in the scheme.

It is true that majority of the schemes are introduced to cover against the various losses. But one thing is notable here that in the entire cases premium is shared either by the central government or the state government. In practical amount of compensation received by the farmers is not to the extent of loss. They received only meagre amount. Still majority of the population is not covered by the insurance. Therefore the insurance in India needs a new look to cover the untapped market. The insurance industry in India has come a long way since the time when businesses were tightly regulated and concentrated in the hands of a few public sector insurers. Following the passage of the Insurance Regulatory and Development Authority Act in 1999, India opened its gates to private players. This shift has brought about major changes to the industry. The inauguration of a new era of insurance development has seen the entry of international insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards.

By the end of 2013, the number of insurers in India had been augmented by the entry of new private sector players to a total of 52 insurance companies, of which 24 are in life insurance business and 28 in non-life. A range of new products had been launched to cater to different segments of the market, while traditional agents were supplemented by other channels including the Internet and bank branches. These developments were instrumental in propelling business growth. All insurance companies have opened their branches only in urban areas and not concentrated much in rural areas. Though vast population lives in rural areas, insurance companies have not yet diverted their required attention towards rural insurance. Hence, penetration of rural insurance market in India is quite essential.

OBJECTIVES

The following are the objectives set for the present study

1) To know the necessity of rural insurance
2) To explore the opportunities available for development of India's insurance in rural area
3) To enumerate the challenges faced by the existing market.
4) To offer suggestions based on the challenges of the study

METHODOLOGY

The present study is purely based on the secondary source of information. Books, published materials in journals, material available in the internet are the major source of information.

CHALLENGES

As we know the tapping of Indian rural insurance market is not so easy and it includes number of hurdles. The Life insurance Corporation of India only has shown its presence in rural area. The following are the big challenges needs to be addressed by insurers.

LACK OF FINANCIAL LITERACY

To know development in a society, Literacy is another proper indicator of economic development. For purpose of census, a person in age limit of seven and above, who can both write and read with understanding in any of the language is considered as a literate in India. The literacy level in India as per 2011 census is 74.04%. Though it looks a good education record, but it includes the persons who are able to read and write something. The insurance market needs not only literacy in terms of read and write but also in terms of understanding the concepts of financial literacy. Financial literacy means the possession of knowledge and understanding of financial matters. Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving, tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc. This literacy is very low in India. In order to improve the insurance business in India one has to improve the financial literacy among rural as well as urban population.

LOWER PER CAPITA INCOME

The average per capita income of an Indian is only Rs. 60972 as per 2011-12 estimation. According to the latest figures released by government Goa leads the country with per capita income of Rs. 1,92,652/-, while Bihar has the lowest with a per capita income of only Rs. 24,681/-. An average Goan earns 6 times more than an average Bihari. As per latest 2012 figures, Delhi comes in second after Goa with Per capita income of Rs. 1,75,812 followed by Chandigarh 1,28,634 & Haryana 1,09,227. If we compare this figure with per capita income of other countries India stands in140 place. Insurance is not free. People have to contribute certain sum of money in the form of premium to get the benefits of insurance. It needs per capita income. As we narrated PCI of an Indian is very less. They have to sacrifice some amount to get the benefit. Indians are ready to save in the form of deposits but not in the form of insurance. Convincing them is also a daunting task.

UNCERTAINTIES IN AGRICULTURE

Agriculture is the main occupation of millions of people in India. Agriculture always depends upon the mansoon and climatic conditions. Natural Fire, Lightning Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Flood, Inundation and Landslide, Drought, Dry spells etc are the major risks for agriculture. They need protection against these kind of risks. If the proper insurance cover is made available to Indian agriculture, more people involve in agriculture and allied activities. It creates huge employment to rural masses. It reduces farmers' suicides.

LACKLUSTRE ATTITUDE

The attitude of persons living in rural area is somewhat different from urban area. The urban people are ready to get insurance cover by sacrificing their savings. But the rural people are not ready to purchase the insurance thinking that the life and death are the creations of God. Human being has nothing to do with these matters. The social disasters are also the acts of God, hence insurance is not necessary. At the same time they are not fully understood the concept of insurance. In the minds of rural people government is the party to pay the insurance premium.

UNHEALTHY PRACTICES

One major problem in case of insurance particularly in non life insurance is the dishonesty among the people. Many persons will purchase the insurance products by giving false information about their health. Many cases are pending in the insurance companies which need the attention of regulators and the same time many claims being rejected for pre existing diseases which needs standardisation. It also happens that all most all the proposers will not fill up the form. It is filled by agents who use their own route to fill up the form. Proposer simply signs the form.

NO REGULATORY BODY FOR HOSPITALS

Growing demand for health insurance requires a regulatory body to monitor the practices of hospitals. Many companies have offered a cashless facility for their policyholders. But the hospitals were charging arbitrarily to their patients keeping in the mind that the amount will be paid by insurance companies. The one of the government strategies in its XII plan period is effective regulation of medical practice, public health, food and drugs is essential to safeguard people against risks and unethical practices.

VAST AREA

There are more than 5 lakh villages in India. Around 75% of the people lives in rural areas. They live in scattered areas which are too long and not well connected by rail and roads. The use of internet service is only a dream of rural population. There may not be convenient places for visitors to stay or to eat food. Contacting theses persons often and often for persuasion and providing service is a very daunting task for the agents. Agents may find it more profitable to spend their efforts in urban areas. That is why there are tendencies to avoid the rural market. Though IRDA has made it mandatory for every insurance company operating in life insurance has to do certain percentage of business in rural areas depending upon the years of operation. Still it is an uphill task for the insurance companies to operate in the rural areas. Strong and committed workforce is essential to tap the rural market especially in non life business.

OPPORTUNITIES

The size of the population living in rural area is big. Nobody has so far made big impact in rural insurance. The income level is also increasing over the years. All these factors provide vast opportunities for insurance companies to establish their presence in the rural area. The following are the some of the opportunities available for penetration:

HUGE UNTAPPED MARKET

Indian insurance market is untapped to a greater extent. As per one estimate the coverage ratio of India is only about 16.5% of the population. It gives a big opportunity to the insurance companies to encash the market with right approach. Though there is entry of so many players in the insurance market, they are concentrating more only in urban areas. They have to change their attitude and move in the rural areas with variety of products which suits to the need of rural population. Health insurance is not at all a subject matter in the rural areas. Agricultural labourers, street vendors, hawkers, construction workers, house maids etc are not at all touched by any insurance companies in a big way. Design suitable products which fulfil the needs of these persons and bring them in the fold of social security net in the form of insurance. The design of rural insurance products should have the specific needs and capacity of the rural population in mind. The income earning pattern in rural areas is different from in urban areas. Specifically, income of rural people follows crop cycles. There are two main crops during a calendar year. Thus, in many parts of rural India, a semi-annual payment of premiums is preferred. However, this pattern of income is not universal across all regions. Therefore, policies have to be region-specific. The other factor is that general buying capacity is lower in the rural areas. Consumer goods have been marketed very successfully in the rural markets by lowering the unit size. It is advisable to the insurance companies to design such products which can be offered at low sum assured with least premiums.

PROPERTY INSURANCE

No rural person is ready to insure his properties. But the valuables own by farmers and other persons are not small and negligible. They also carry considerable value. Properties may include farmers' houses, sheds, lawn property, fences, machinery and agricultural equipment. Property insurance can protect all of these things from fire, flood, high winds, theft, vandalism, earthquake and other causes of loss. This is the area where insurance companies needs to work out strategies to tackle the business.

CROP AND LIVESTOCK INSURANCE

Agricultural insurance can only deal with the remaining part of production risks that cannot be managed using cost-effective mitigation measures– Underdeveloped agriculture cannot be developed or restored purely by the introduction of an insurance program. Agricultural insurance has no purpose without viable agriculture and conversely, viable agriculture could not exist without adequate insurance. The existence of farmers quite often depends upon the successful growth of crops and maintenance of live stock in good condition. A flood that destroys an entire fully grown crop or a disease that kills large numbers of cattle or a hailstorm can destroy variety of fruits grown, which are financially devastating on the health of farmers. For this reason, insurance companies provide protection for people in the agricultural industry by offering them crop and livestock insurance. If such a disaster occurs, insurance companies will help policy holders to recover by compensating them for their losses.

ESSENTIALITY OF INSURANCE

One of the main objectives of promoting financial inclusion packages is to economically empower those sections of society who are otherwise denied access to financial services, by providing banking and credit services thereby focusing on bridging the rural credit gap. The banking sector is focusing on financial inclusion on a priority basis. Vulnerability to various risk factors is one of the fundamental attributes of these sections of the society. Lack of protective elements may, thus, not serve the objective of promoting financial inclusion packages as the targeted sections may fall back into the clutches of poverty in the event of unforeseen contingencies. Hence, to provide a hedge against these unforeseen risks, micro insurance is widely accepted as one of the essential ingredients of financial inclusion packages. The population is always living with one or the other uncertainties. Every individuals wants safety against uncertainties. Many of us do not have any idea of getting protection against such losses. Many persons believe that uncertainties are bound to occur and which have no solutions. It is not true. As professionals in the area of insurance, it is our bonded duty to provide necessary knowledge about the uncertainties and ways to compensate such uncertainties. The insurance should become a necessary commodity to every Indian. If insurance companies succeed in convincing the population about the necessity of insurance products, growth will automatically takes up.

COVERAGE OF VAST AREA

Despite the long distances and the inconvenient infrastructure for travel and staying, the efforts may be rewarding. The rural people are simple and winning the heart of them is half won battle. If an agent can win their trust, selling insurance would be an easy task. Policies may not be of big amounts but the number would be large. There are many powerful influential centres in the rural areas. Post offices, cooperative societies, Self Help Groups, Gram panchayats etc are the best distribution channels for insurance products. Make use of these influencing centres to penetrate the rural market.

REACHING OUT THE MASSES

India is a vast country with remote areas. Reaching out to these people is a daunting task. However, there are set of institutions which are very close to the rural people. Post offices, Co-operative societies, Self Help Groups etc are the some of the examples. These are various rural forums that meet regularly at the village, block and district levels and can be used for promoting group insurance. Once the group leadership approves the insurance company, members will be more inclined to accept its insurance products. Producers' co-operative societies are rural forums for interaction/information and finance for farmers. Regular meetings are held and can be used as a group platform to sell policies (specifically accident/ crop/health policies) to members. NGOs working in micro-finance with grass-root reach, trust and credibility can be used to access members of Self Help Groups who would then be more inclined to purchase from the private player

CONCLUSION

The growth of economy in the future will be faster in the rural areas than in the urban areas. The income levels and lifestyles are changing very fast. Tapping of rural insurance not only increase the insurance business but also increases the standard of living of rural people. Though the amount of insurance by an individual is small in size but the number would be very large. Small amount from large crowd is as big as urban collection. There are areas like property insurance, crop insurance, live stock insurance etc are the avenues for growth of insurance business in India. To unleash this potential, insurance companies will need to show long-term commitment to the sector. Design products that are suitable for the rural population and utilise appropriate distribution mechanisms. Insurance companies will have to pay special attention to the characteristics of the rural population and their life styles and pattern of earnings before they can successfully penetrate the rural sector.

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