



## PENETRATION OF SA-DHAN INSTITUTION IN MICRO-INSURANCE IN INDIA

Ashish Kumar Gupta

Research Scholar, Faculty of Commerce, B.H.U. Varanasi.

### Abstract

Poor people live in risky environment than the rest of the population, and they are more vulnerable to cope when a crisis does occur. One possible solution to overcome risks is micro-insurance. Micro-insurance is a special mechanism to protect poor people against different risks. Currently, majority of the poor people in India are employed in the unorganized sector. The availability of micro-insurance would in some ways provide them with some protection and peace of mind. In doing so, micro-insurance gives them an opportunity to improve their lives. The problem is that, the benefit of micro-insurance is not reached to the target population. Against this backdrop, the present paper aims at analyzing penetration of selected Micro-finance Institutions (MFIs), their functioning and experiences in Micro-insurance sector. This study examines the selected micro-finance institutions in micro-insurance sector. It is suggesting the possible ways for effective implementation of micro-finance institution in micro-insurance.

**Keywords:** Low Income Persons, Risky Environment, Micro-Insurance, Micro-Finance, Micro-Finance Institutions.

### Prologue

Risk is omnipresent in the lives of poor and low-income groups. Economic, social, natural, and other factors warped household's risk management capability and their struggle to come out of poverty. Faced with multiplicity of risks, poor and weaker sections are often forced to deplete their financial, physical, social and human assets just to cope with the contingencies. Some common risks they confront with are unemployment, illness, and accident, death of main earning members of the family, crop loss, loss of livestock, fire, theft, drought, flood, and loss in petty trading activity due to market factors. Some groups are more vulnerable to many of these risks than the others and unable to cope with risk events. Hence, uninsured risk leaves many poor households more vulnerable to the losses from negative shocks. However, impact of such risks lingers for a longer period depending on the nature and severity of risks and strategy adopted by the household for coping. Here we look at micro-insurance from the perspective of micro-finance institutions, which are one of the important micro-insurance delivery channels. There are different types of MFIs- **BISWA** in Orissa, **Sa-Dhan** in U.P., **Mahasemam** and **ASA Gram Vidiyal** in Tamil Nadu etc. we have summarized their micro-insurance activity, performance, agent-partner development process, product delivery mechanism and other features. MFIs is to protect their credit first, the insurers, look for simpler and easier products to launch to minimize administrative costs and clients need different products than what are offered to them almost as compulsory with their loan. Even though these MFIs operate in more or less similar environments, they have adopted different approaches, which most probably make sense given their experiences, degree of maturity, and intentions. ASA Gram Vidiyal is an older and large MFI that started with its in-house life insurance scheme with simple benefits and later moved into partner-agent model of microinsurance with good numbers of professional insurers. On the other hand, BISWA is relatively younger NGO but offering a range of insurance products (life, health, assets) in partnership with different insurers. Its objective is to provide comprehensive social protection to its group members. The MFI, Mahasemam, falls somewhere in between. It has a long experience with different insurance products using both in-house and partner-agent models, and now with the advent of Indian regulations that require insurers to serve the low-income market it appears to have both foot firmly in the partner-agent camp. In this paper with focus on their structure, current operation areas and products, insurance and fund partners, constraints and suggestion about micro-insurance which highlight a picture of micro-insurance in study areas.

### Review of Literature

Researcher presents a comprehensive review of literature till date which has been conducted at national level as follow:

**Farooqui (2013)**<sup>1</sup> deliberates on micro-insurance from the perspective of micro-finance institution. The objective behind the study is to analyse the role of micro-finance institution in promoting and distributing micro-insurance products in Allahabad district and to suggest measure in improving their efficiency. The present study reveals that though they play a major role in micro-insurance products but they have somehow failed in achieving their objectives. It is suggested that they should be mere authorized and motivated to promote micro-insurance products for bringing about economic growth among the people below poverty line.

<sup>1</sup> Farooqui, Farah,; 2013 "Role of Micro Finance Institutions in Micro Insurance Department of Commerce & Business Administration, University of Allahabad, 228/277A Old Katra, Allahabad, INDIA. Global Journal of Management and Business Studies. ISSN 2248-9878 Volume 3, Number 5, pp. 535-540.



**Virani (2009)<sup>2</sup>** highlights the role of Grameen Koota (GK) operates as division of the Grameen Financial Services Pvt. Ltd. (GFSP), a non-banking financial company (NBFC) based out of Bangalore in India, offering micro-insurance to the poor using the Grameen model. This should be an overture to the realization of the need to instill more stringent fraud control systems and revisit the process of rate making and product pricing. Grameen Koota (GK) expended at least three million Indian rupees on offering Sampoorna Suraksha Yojana (SSY) to its clients.

In literature of **Arora (2009)<sup>3</sup>** highlights the knowledge level of micro-insurance products among the poor people. The main objective of this study is to describe important aspect of micro-insurance, its necessity, delivery channels and the various types of products offered under it. Most of the people think that insurance is affordable by rich class of the society. Poor people don't prefer to invest into insurance to bear any kind of unpredictable risk. Thus insurance companies must focus to remove risk conceptions among the people and try to attract as much as poor population and this is only possible by creation of awareness about it.

### Objectives

- To study the role of micro-finance institution in micro-insurance sector.
- To examine of Sa-Dhan trend in Micro-finance Loan Portfolio from 2006-07 to 2012-13.
- To analyze client outreach through Sa-Dhan from 2006-07 to 2012-13.

### Hypotheses

- The role of Micro-finance institutions at par in micro-insurance sector.
- There is increasing trend of Sa-Dhan in Micro-finance Loan Portfolio.
- There is increasing trend of Sa-Dhan in client outreach.

### Research Methodology

For the study purpose secondary data have been collected from various sources such as annual report books, journals, and related websites. Some important statistical methods such as, CAGR, and previous year growth rate applied to make this analysis for more practical through Excel.

### Limitation of the Study

- ❖ The present study concentrates only on SA-Dhan- a Micro-finance institution in Micro-insurance Sector.
- ❖ All the analysis, interpretations and findings represent the coverage of specific period.
- ❖ The validity of the results depends upon the reliability and accuracy of the data collected from various websites and journals.

### Sa-Dhan- A Micro-finance Institution

Sa-Dhan's mission is to build the field of community development finance in India to help its member and associate institutions to better serve low-income households, particularly women, in both rural and urban India, in their quest for establishing stable livelihoods and improving quality of life.

**Table No 1: Trend in Micro-finance Loan Portfolio over the years**

Year	SHG (Billion Rs.)	% growth over previous year (SHG)	MFI (Billion Rs.)	% growth over previous year (MFI)	Total (Billion Rs.)	CAGR % (TOTAL)
2006-07	1,236.6	-	3,456	-	1,582.2	-
<b>2007-08</b>	1,699.9	<b>37.47</b>	5,954	14.41	2,295.3	45.07
<b>2008-09</b>	2,267.9	33.41	1,173.4	<b>196.76</b>	3,441.3	<b>49.93</b>
2009-10	2,803.8	23.63	1,834.3	56.32	4,638.1	34.78
2010-11	3,122.1	11.35	2,155.6	17.52	5,277.7	13.79
2011-12	3,465.5	11.00	2,091.3	-2.98	5,556.8	5.29
2012-13	3,846.7	11.00	2,233.8	6.81	6,080.5	9.42

Source: Sa-Dhan Annual Report

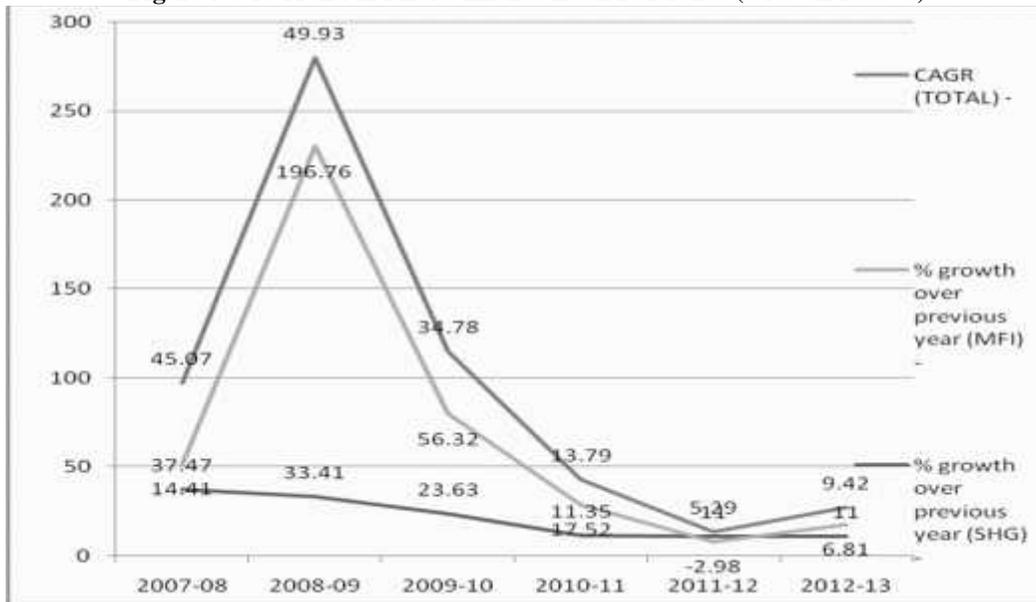
<sup>2</sup> Virani, Altaf; February 2009 "Health Micro-insurance Experience of Grameen Koota" Centre for Insurance and Risk Management, Institute for Financial Management and Research (IFMR).

<sup>3</sup> <http://www.indiastat.com/article/04/parora/fulltext.pdf> (March- April 2009).



Table highlights the trend in micro-finance loan particularly SHG and MFI since F.Y. 2006-07 to 2012-13. SHG loan portfolio is Rs. 12366, 16999, 22679, 28038, 31221, 34655, 38467 crore at the same time MFIs loan portfolio is Rs. 3456, 5954, 11734, 18343, 21556, 20913, 22338 in 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 respectively. During 2011-12, the micro-finance through MFI-channel has reduced 2.98% and in 2012-13 increased 6.81% over the previous year in terms of loan portfolio. The total loan portfolio for all 184 MFIs that reported to Sa-Dhan is Rs. 20913 crore.

Figure No 1: Trend in Micro-finance Loan Portfolios (Growth rate %)



Source: Table 1

Figure presents the previous growth rate of SHG and MFIs. The highest rate of SHG is 37.47% in 2007-08 and lowest 11% in 2011-12 and 2013. The reason may be lack of resources; customers don't want to take etc. The highest rate of MFI is 196.76% in 2008-09 but after that there is decreasing in their previous year growth rate; behind it the reasons may be same as SHG. Hence, overall cumulative annual growth rate (CAGR) is increased in 2008-09 but, after there is also decreasing continuously year by year.

Table No 2: Client Outreach, Portfolio Size of Indian MFIs

Year	SHG (Million Rs.)	% growth over previous year (SHG)	MFI (Million Rs.)	% growth over previous year (MFIs)	Total (Million Rs.)	CAGR % (Total)
2006-07	38	-	10	-	48	-
<b>2007-08</b>	47.1	<b>23.95</b>	14.1	41.00	61.2	<b>27.50</b>
<b>2008-09</b>	54	14.65	22.6	<b>60.28</b>	76.6	25.16
2009-10	59.6	10.37	26.7	18.14	86.3	12.66
2010-11	62.5	4.87	31.7	18.73	94.2	9.15
2011-12	65.6	4.96	26.8	-15.46	92.4	-1.91
2012-13	68.9	5.03	27.5	2.61	96.4	4.33

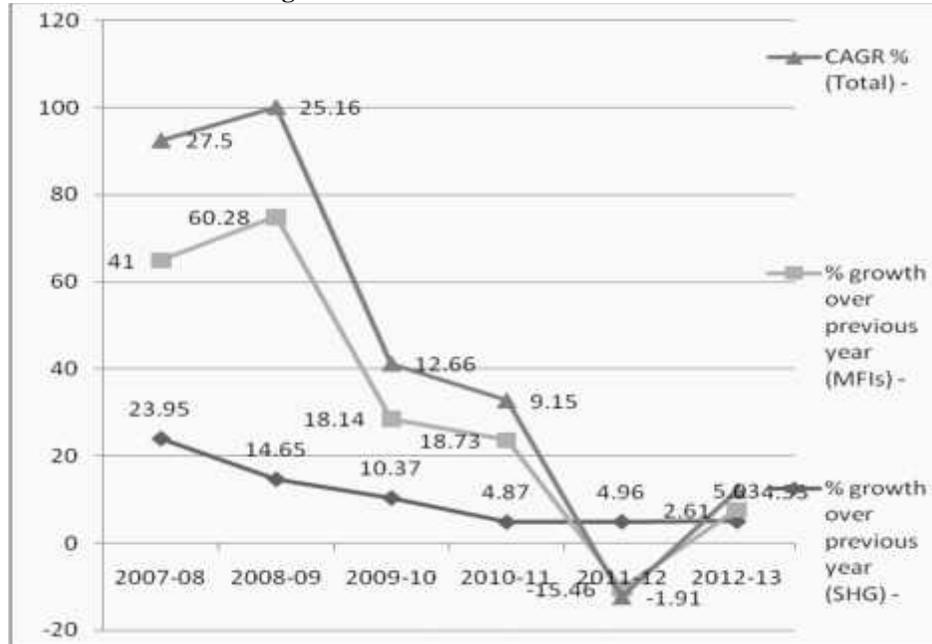
Source: Sa-Dhan Annual Report

Table explains the trend in client outreach particularly SHG and MFI since F.Y. 2006-07 to 2012-13. The total client outreach of SHG is 3.8, 4.71, 5.4, 5.96, 6.25, 6.56, 6.89 crore at the same time MFIs client outreach is 1, 1.41, 2.26, 2.67, 3.17, 2.68, 2.75 crore in 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 respectively. In 2011-12, MFIs operate in 517 districts of India spread across 27 States. During this year, the micro-finance through MFI-channel has reduced 15% over the previous year in terms of client outreach. Client outreach and loan portfolio in South zone is on top with loan portfolio of Rs. 9975.16 crore reaching out to 136.54 lakh active borrowers. East zone is next with loan portfolio of Rs. 4889.92 crore reaching out to 67.19 lakh active borrowers. An additional Rs. 3694 crore of outstanding portfolio is being managed by MFIs on behalf of banks and other financial institutions. In 2012-13, MFIs operate in 580 districts of India



spread across 33 States/UTs. The total MFI-client outreach as of March 2013 was 2.75 crore. During 2012-13, the micro-finance through MFI-channel has increased 2.74% over the previous year in terms of client outreach. The total loan portfolio for all 155 MFIs that reported to Sa-Dhan is Rs. 22338 crore.

Figure No 2: Trend in Client Outreach



Source: Table 2

Figure reveals the previous growth rate of client outreach of SHG and MFIs. The highest rate of SHG is 23.95% in 2007-08 and lowest 5.03% in 2012-13. The reason may be customers don't want prefer, lengthy process etc. The highest rate of MFI is 60.28% in 2008-09 but after that there is decreasing in their previous year growth rate; behind it the reasons may be same as SHG. Hence, overall cumulative annual growth rate (CAGR) is increased in 2008-09 but, after there is also decreasing continuously year by year.

### Conclusion & Suggestion

MFIs have been operated in 580 districts of India spread across 33 States/UTs till 2012-13. From this study it is find that there are more micro-finance institutions which work for micro-insurance, but something is wrong with them because start the year with an increase in the number of loans to customers, loan portfolio and client out reach for both SHG and MFI. But after some years there is almost continually decline. For reason behind this may be these are not performing properly, lack of finance- management, customers are beginning to dislike etc. The Government of India and the Reserve Bank of India with measures like micro-finance bill, India Micro-finance Equity Fund of Rs. 30 billions, SHG Fund of Rs.50 billions and priority sector credit facilities to MFIs etc. have recognised the role of MFIs in Financial Inclusion. The SHG movement has to receive further impetus in North and North-Eastern states. MFIs have consistently been increasing credit to clients located in rural and remote geographies, belonging to different social segments. The clientele of MFIs included more than 95 percent women, disabled people, religious minorities, SC/ST communities and Below Poverty Line households. MFIs offered products range from microcredit, micro insurance, savings, and remittance. Most of the credit availed from MFI are used for income generation purposes.

### Reference

1. Farooqui, Farah,; 2013 "Role of Micro Finance Institutions in Micro Insurance Department of Commerce & Business Administration, University of Allahabad, 228/277A Old Katra, Allahabad, INDIA. Global Journal of Management and Business Studies. ISSN 2248-9878 Volume 3, Number 5, pp. 535-540.
2. Virani, Altaf; February 2009 "Health Micro-insurance Experience of Grameen Koota" Centre for Insurance and Risk Management, Institute for Financial Management and Research (IFMR).
3. <http://www.indiastat.com/article/04/parora/fulltext.pdf> (March-April 2009).