5 Summary and Conclusion

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5.1 Summary of Marketing Mix Influences

The sample population prefers Life Coverage as compared to Health. Entire family, including Parents and children are sought to be covered.

The respondents are not decided about the amount of cover that Life Insurance should cover. But, for health, they expect coverage of less than Rs one lakh for the entire family.

Annual income is an obvious determinant of the premium that the sample can pay for insurance. The amount of premium in turn determines the amount of cover to be insured. Premium affordability is Rs 500 per month for Life Insurance plus Rs 500 per month for Health Insurance. In this study, it was found that Amount of cover (expected) for life and Health insurance is related to Annual income. Thus, the customer realizes the relationship between what he expects and what he pays. This is proved by the relationship between amount of cover sought and willingness to pay monthly premium (for both life and Health insurance).

Premium collection can be a major challenge in Microinsurance. In fact the very sustainability of a microinsurance scheme is dependent on access to the customers to collect premium. More frequent premium collection adds to the cost of the insurers but the sample population does not live in a state of regular income at the end of the month. Flexible premium payment cycle is advocated (Monthly, Quarterly and Annually). Insurance companies need to find ways to get around this obstacle in reaching out to its customers.

Insurance agent has turned out to be the most effective mode of reaching out to the customer. S/He is the single most important intermediary between the company and the customer. Most of the sample population has met an insurance agent. Meeting an Insurance agent and Insured status are related. This means that those who have met an insurance agent are more likely to
get insured. The insurance agent also happens to be the chief information disseminator regarding insurance products and their benefits. Next to the agent, it is the friends or relatives who are a source of information regarding insurance. Insurance agent is also the first person they will tap when they search for alternatives to buy insurance. All other sources come way behind.

Awareness regarding private insurance companies is very poor. Less than 4% could recall names of a private Insurance Company. Twinkle, Bajaj and ICICI were known to a very small minority (less than 10%).

A surprising 68% remember seeing some form of advertisement by insurance companies (TV/Radio/Press). 31% could recall LIC ads while less than 5% could recall ads by Private players.

A whopping 66% of the sample did not believe that they would buy due to influence of Ads.

More than 50% of the sample reads Daily Newspaper and there is an association between Newspaper reading and buying of Insurance. Television is not the preferred media, with 21% not viewing Television at all and 49% viewing less than 2 hours a week. TV viewing shows no correlation with buying of insurance. TV is vastly viewed at home by 79% of the population. Radio, too is not a favored media with 66% not listening at all and 23% for less than 2 hours a week.

There is an association between Radio listening and buying of insurance, but can be neglected due to negligible number of radio listeners.

Next to Salesperson (Insurance Agent), Newspaper is the most effective promotion tools for marketing insurance.

There is no clear best time to pay premium from January to December but time to pay premium and Professional status are correlated. Thus a farmer would reply some specific months when he gets his revenues, a salaried person would answer any time due to regular flow of cash. Hence we see that premium payment cycle and professional status are correlated.
The influence of marketing communication can be divided into impersonal and personal communication. The impersonal communication consists of use of media like radio, television and newspaper while personal communication involves insurance sales agents, who spread the word. The results of this study show that impersonal communication has fared miserably with the target population. Efforts (if at all), by the insurance companies to reach this segment is a complete waste. The only marketing effort that seems to work is the personal approach by the insurance agent.
5.2 **Summary of Socio-Cultural Influences**

**Family Influences**

More than 75% of the sample population lives in families up to 6 members. With an increase in family size, the probability of being insured decreases. Thus, larger the family size, less the probability of being insured.

Decision making in the family is still male dominated. Women have very little say in running household expenses or making a new purchase. Joint decision making by husband and wife is getting accepted in few homes. Parents have a sufficient say in any household decisions. Family values are still very strong and the respondents would prefer to insure the entire family than just him.

**Informal sources (Reference Groups and Opinion Leaders)**

Just as family plays a critical role in their decision making, friends and family too are very important. They are preliminary advisers in case of any illness. But, importantly, advice regarding medicines is taken only at the behest of Doctor (Allopathic) other sources are negligible. Thus they do not risk self-medication or medication by quacks.

Overall, almost everyone (85%) knew at least 1 person who has bought some kind of Insurance. There is also a strong desire to buy insurance since others in their group have bought it. This shows that there is a need to identify with the reference group members. Insured status (respondents) and Insured status (reference group) are correlated. The reference group is thus very influential. The respondents show a strong desire to buy insurance on the advice of the opinion leader.

**Other Sources (non-commercial)**

Urban exposure influences the respondents’ opinions about people and things. Urban exposure was measured using (1) family member staying in city and (2) Remittances received from the family member staying in the city.
A family member staying in the city gives a lot of urban exposure to the person staying in the village. It makes them more acceptable to newer ideas since their family person in the city seems to think so. Add to that, if he receives regular remittances from the family member then it surely brings some surplus money that changes his lifestyle. More than 51% of the rural respondents have some of the family member staying in city. This study found out that awareness of insurance and Urban exposure (1) are correlated. And also, Insured status is correlated to urban exposure (1). Thus family member staying in the city has a positive influence in insurance awareness and buying of insurance.

The urban exposure (studied as non-commercial sources) has an influence on buying of insurance.

Social Class

Education, Income, professional status and Landholding are the prime indicators of social class. Education is not highly prevalent amongst the targeted segment with only thirteen percent reported as graduates. Eighty-two percent (cumulative) of the sample population has income below Rs one lakh per annum and thirty five percent has no land holding while 59% has less than 10 Acres.

46% of the sample population is in service category while 38% are self employed. Those who are employed are more likely to be insured than those who are self-employed. This may also be attributed to greater exposure to outside world while at work and insurance provided by the employer.

Education is also positively related to Insured status, with higher the education, more the chances of the person being insured.

Land ownership and Insured status, though show a positive association, the relation does not seem to be very significant. This may be attributed to majority of respondents chosen from weaker economic section (the target of Microinsurance). The results are further ratified by the test of Binary Logistic Regression applied to demographic variables of Social Class. Land holding is not a significant predictor of Insurance status.
Annual Income is positively associated with Insurance status, with higher the income, higher the probability of being insured. Again, borne by high significance of Annual Income in the Binary Logistic Regression test applied to demographic variables of Social Class.

**Education and Annual Income are the most significant predictors of social class factors for buying of Insurance** while Land ownership and professional status are not so significant in the given sample.

**Culture**

Cultural beliefs play a very important role in our lives. These beliefs are a strong indicator of what a consumer will buy and the reason for his decision.

The societal belief system about Disease, Accidents, Destiny, Integrity of medical profession etc is important to understand how they value Insurance.

Age, Education, Income and location are low to moderately correlated with Cultural Beliefs.

None of the demographic variables (except one) are very highly correlated to cultural beliefs. This means that overall; the cultural beliefs are independent of Age, Education, Income and Location.

‘Diseases and Accidents are destiny’ is the only belief that is related to all the demographic variables. This plays an important role even in predicting purchase of Insurance as depicted by the Logistic Regression test. Thus ‘Diseases and Accidents are destiny’ is a common cultural belief across age, education, income and location.
5.3 Summary of Personal Influences

Motivation

More than 80% of sample population has a savings A/c but more than 45% do not save anything at all in that account. **Having a savings A/c and having Insurance are related.** Of the total number of respondents who had a savings amount, 81% were insured while those who did not have a savings account, only 19% were insured. Savings amount is correlated to annual income. Savings amount reduces for the same income category when there is a loan liability. Current loan status and Spare income spending are also correlated.

As discussed earlier, though prevalence of savings A/c is high, savings habit is negligible. This shows in relation between savings amount and Insured status.

More than 70% of the sample population has no loan liabilities on them. This response seems to have a respondent bias and has been checked in further sections. Loan liability is related to buying Insurance.

Major source of loan is ‘others’, which means the local moneylender or a ‘shrimant’ (trader).

Major expenditure for this segment happens for buying land/Rebuilding house. This is followed by spending on marriage/festivals. 20% of the sample spent less than Rs 25,000 on these major expenses while on the other hand, a whopping 14% spent more than Rs 1, 00,000.

Query on ‘Spending spare income’ brought surprising results. While 40 % were conventional enough to use it for home improvement purposes, a big chunk (22%) would spend it on self or for entertainment.
Health Insurance does not give any returns and the premium may be sunk cost if the respondent does not fall ill. Only, 30% of the population said a definite yes after understanding the concept of Health Insurance.

90% of the sample population is sufficiently motivated to buy Insurance. They believe Insurance is a necessity. There is a positive correlation between those who are motivated and those who have Insurance.

The sample population (70%) has seen people suffer due to lack of Insurance. This has motivated them to get insured. There is a positive correlation between those who have seen others suffer and buying of Insurance.

A small 39% has ever seen anyone get their claims from Insurance companies, but it is also a motivating factor to buy Insurance. Insured status has a positive correlation with those who have are witness to claims settlement.

Motivation to buy insurance is high. It is fuelled by positive reinforcement of seeing others get their claim and negative reinforcement of seeing others suffer due to no insurance.
Perception

Majority of the sample respondents equate Insurance with ‘Secure Future’. There is a clear trust amongst the respondents that their claims will be settled by the insurance company.

While one half of the respondents agree that insurance is unaffordable, the other half disagrees, meaning that it is affordable. Thus the opinion is equally divided. Their opinion about trustworthiness of insurance people is also split in the middle with one half trusting insurance people and the other half saying they are not trustworthy.

The respondents have a very rational view of insurance and do not agree that buying of insurance will bring any kind of ‘bad luck’. Eighty percent of them believe that insurance will take care during bad times.

Perceptions about insurance are that it will ensure secure future and will take care during bad times.

Learning

62% of the sample has met an Insurance agent and more than 40% have learnt about Insurance from the agent only. Agent is the most important source of information and learning about Insurance. There is a strong correlation between buying of Insurance and exposure to insurance agent.

Awareness about Private Insurance companies is very low with less than 15% being able to recall any name of a private Insurance company.

A good 66% of the respondents have seen an advertisement for Insurance but apart from LIC, recall for others was abysmally low.
Majority of the respondents (66%) believe that Ads make them want to buy insurance. There is an association between buying of insurance and feeling that Ads make them want to buy insurance.

This tells us that though awareness of information provided by companies is low, but wherever the awareness is seen, the impact on purchase is high.

TV, Radio or newspaper have not added to the learning about insurance in the target market.

**Attitude**

More than 80% of the sample believes that Insurance will take care during bad times. Respondents have a positive attitude towards Insurance.
Most Significant factors in decision-making for buying Microinsurance

- **Demographic Influences**
  - Education
  - Annual Income

- **Marketing Influences**
  - Meeting with Insurance Agent

- **Socio-Cultural Influences**
  - Family Influences: Family Size
  - Reference Group: Number of people insured in reference group
  - Other Influences (Urban exposure): family member staying in city
  - Belief that Disease and Accident are Destiny

- **Personal Influences**
  - Motivation due to seeing others suffer because of no insurance
  - Motivation due to seeing others get their claim
  - Learning from meeting an Insurance Agent
Conclusion

Microinsurance is the need of the hour and a proper implementation will benefit everyone in the society.

The socio-cultural environment and the psychological field (personal influences) both suggest that the customer is positively inclined to buy insurance. The influence of family, reference groups and opinion leaders, social class and culture make him want to buy insurance. There is also a strong motivation, perception is not biased and attitude is positive.

In such circumstances, why is the penetration so low? The answer lies with the marketing efforts of the firm. Very little is being done by the insurance firms to reach out to this marketing segment. Regulatory obligation is not the solution to the problem. As discussed, Microinsurance has to be implemented as a business model. Reaching out to this segment will mean changing the way the insurance companies have been doing business. This too is not an impossible obstacle as any firm that reaches out to new segments or geographies, changes its business model. The product, price, place and promotion strategies have to be reworked. As this study shows, product has to be redesigned, price has to be reconsidered, distribution in terms of agent presence has to be strengthened and most importantly, promotion has to be made relevant to this segment. Microinsurance has the potential which is waiting to be realized.
Recommendations

For Policy Makers

Microinsurance has far reaching impact not only on the poor but also on the economy of the country as a whole.

Policymakers must lay lot of emphasis on increasing the penetration of microinsurance to all parts of the country.

It gives the poor people, an instrument to protect their earnings in case of an unfortunate event like death, illness or accident.

The social obligation regulations for private insurance companies (to get minimum percent of their business from rural areas) needs to be reviewed. This regulation specifies rural areas but does not mention any economic criteria to be followed by the insurance companies. Thus insurance companies dump existing products on rich rural population defeating the purpose of the regulation. Hence, economic criteria should be added to the social obligation clause for private insurance companies.

Process of appointment of insurance agents in rural areas has been relaxed but needs further review. The need of the hour is increasing penetration, which can come only by recruiting local population which is not as educated.

Drawing from the success of Micro-finance, there should be special incentives to recruit women as insurance agents.

An ombudsman mechanism where they can take their complaints should be established.

Companies should be given tax breaks for increasing penetration of insurance in this market segment.
For Insurers

Companies have to educate the rural population on the merits of financial planning under which Insurance is one of the instrument.

Partner - Model seems to be working well for microinsurance. Insurance companies would do well to partner with credible SHGs or NGOs to reach out to the uninsured poor.

Life and Health products should be simple and easy to execute. Complicated contracts and ‘between the lines’ clauses should be avoided.

Premium of Rs. 500 per month for covering the entire family is affordable to the target market.

Premium payment cycle has to be very flexible with all options like monthly, quarterly or annually. Creative payment mechanisms like anytime any amount will boost the sales.

Develop local alliances for frequent premium collection. Cooperative banks, post office, Self Help Groups, NGOs can be used for the purpose.

Develop a substantial base of insurance agents in the rural areas. Opinion makers like the doctor, panchayat members, teacher, postman, kiranawalla and others should be used for the purpose.

Insurance companies can collaborate to provide training to agents in rural areas. They can take the collaboration further by offering their products through same insurance agent.

One message broadcast for all over mass media does not work. Media to reach out to the ‘right’ customer must be ‘right’. Mass media does not seem to have an impact on the consumer behavior so localized media like hoardings, wall
paintings, audio-visual vans should be used. Communication should be in local language with local background and roles.

Newspaper seems to have more credibility and this media should be exploited. More and more ad-spend should happen in this medium (in local language).

Claims should be awarded publicly whenever possible to motivate others.

Advertising appeal should depict
- Close knit joint family.
- Friends and relatives coming up in support or advising on matters of health.
- Opinion leader advising on the benefits of insurance and the policy to be bought.
- Family member staying in the city, advising on the benefits of insurance and the policy to be bought.
- ‘Diseases and Accidents are destiny’ – this theme can be exploited
- Spending on insurance as better than buying land or rebuilding house
- Positive reinforcement in the form of people receiving claims
- Negative reinforcement in the form of people suffering due to no insurance
- Insurance as secure future
Suggestions for future Research
To enhance the reach of microinsurance, further research can be carried out in future on the following:

(i) Media habits of the rural population.
This will help the insurers to target the specific media and ensure that most effective use of advertising spend is made.

(ii) Customer satisfaction level of policy owners.
A study of customer satisfaction levels will tell the insurers what is working and what is not. It will enable them to increase their service to the existing customers.

(iii) Availability of private or public health care facilities for the rural population
Insurance, is ultimately a means to finance the health care of the individual. It will work only when there is a facility for health care in the vicinity. A study can be done to map the health care centers, private or public and the facilities available there.