Evaluation of Penetration and Awareness of Insurance Policies in Rural Parts of Pune District

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Abstract: **In 2014, the penetration of insurance was 3.3% which was comparatively much lower than other countries such as South Korea with a penetration level of 11.3%, Japan 10.8%, United Kingdom 10.6%. (Worldwide, Swiss Re) The main reason behind this lowness is the unawareness of the people for the need of insurance. Though the government keeps on implementing new policies for the betterment of Indian citizens but this benefit cannot reach to majority of people due to unawareness which includes both urban and rural areas. However, the people who are aware do not understand the necessity of buying the insurance policies. This paper is an attempt to understand the knowledge of people about insurance living in rural parts of Pune. The primary data has been collected from different rural areas of Pune district. Secondary data has been through different survey reports of IRDA and Swiss Re and various research papers published. In this study it has been found that there is a remarkably low level of awareness and penetration of insurance among respondents. The reason behind this was either their lack of knowledge about insurance or lack of understanding about the benefits of having an insurance policy.**

Keywords: **Awareness, Penetration, Knowledge, Insurance.**

1. Introduction

Insurance is a form of risk management which is used as a hedging tool against the risk of an uncertain loss. Insurance can be defined as the transfer of the risk of loss, from one entity to another, in exchange for payment. This payment is called as premium. Insurance divides the risk among people where the losses experienced by a few are extended among many who are exposed to similar risks. It protects us from any financial loss that may occur due to an unexpected event. The insurance is purchased through a contract called as insurance policy which details the conditions and circumstances under which the insured will be compensated. Insurance can be classified broadly into (a) life insurance, and (b) general or non-life insurance.

- Life insurance or life assurance provides coverage to the individuals against the risks related to human life. Life-based contracts tend to fall into two major categories:
- *Protection policies:* designed to provide a benefit in case of a specified event, typically against lump sum payment. A common form of this policy is term insurance.
- *Investment policies:* the main objective is to facilitate the growth of capital by single or regular premiums. The common forms in this category include whole life, universal life, and variable life policies.
- General insurance or non-life insurance policies typically comprises of any insurance cover that is not deemed to be life insurance. Some categories of general insurance policies are vehicle, home, health, property, accident, sickness and unemployment, casualty, liability, and credit. (irda.gov.in). In India, the healthcare costs are immensely high and are on a continuous rise. Planning Commission in 2012 stated that the people below the poverty line in India account for 250 million, of which 200 million people live in the rural areas. Such facts elucidate that poverty is very much a reality in India, and it further begets many more troubles. One such issue is the lack of health insurance awareness in our country (rsby.gov.in).

According to 2001 census data, the insurance regulatory and development authority (IRDA) has reported that the approximate total number of insurable persons in the country is around 57 Crore and for health insurance a survey of 2017 reported that only 27% Indians have health insurance. Thus, of 135 Crore people, 100 Crore does not have any cover against catastrophic health expenses (Indian express). This means that despite the implementation of various policies by the government the benefit of the policies cannot reach the individuals. Hence, I chose to study this area in depth so that I can understand the level of awareness among the people and the reasons for not getting an insurance cover by them.

2. Review of literature

According to *Ramamoorthy and Dr. Senthil Kumar (2013),* there has been a rapid change in the insurance industry. There is an overall 7% contribution of the insurance industry to India's GDP. Due to liberalization and privatization, the rate of

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competition has been increased which has forced health insurers to serve customers in a better way. The study conducted was empirical with an objective of understanding the growth of health insurance in India, also for measuring the awareness of customers, their satisfaction and perception towards purchasing health insurance products from the insurers. In this paper, the various related concepts are discussed. The growth of insurance business has been accelerated by health insurance but there is low awareness among the customers. Hence, the conclusion of the paper is that there are tremendous scope and growth opportunities available for health insurance in the future in the Indian insurance market.

In *Ahmed's paper (2013),* the current state of affairs of rural life insurance in India and attempts to identify the issues and challenges and problems which have led to poor penetration of life insurance market in rural India.

Paul Clifford et al (2010) found in his study that about 72% of the respondents are aware of the schemes and policies of the insurance companies. He also found that with the increase in education level and age, there is an increase in awareness about the policies too. Moreover, he observed that as the total income increases the purpose for buying policies for tax increases. Hence, the conclusion of the study was that 73% of the respondents have taken insurance policies for risk mitigation followed by saving and tax purpose.

According to Swiss Re (IRDA), *Survey report (2009-2010)* there has been a significant increase in both, the insurance penetration as well as density. Though the increase is marginal for the non-life insurance sector, the growth in the density of life insurance was from US$ 9.1 in 2001 to US$ 47.7 in 2009. However, the density of the non-life insurance sector increased from US$ 2.4 to US$6.7. Similarly, penetration in the life insurance sector increased from 2.15% in 2001 to 4.6% in 2009 and very marginally in the non-life sector from 0.56% in 2001 to 0.6% in 2009. Hence the penetration in the non-life insurance sector remained constant over the years.

Reshmi, B., Nair, N. S., K. M., and Unnikrishnan, B. (2007) studied about the modifications that the companies should come up to generate interest among the customers to buy the policies. The recommended that private companies must try to imbibe trust in the people because they prefer government policies over the private companies' policies. For the development of a viable scheme, there is a need to understand people's perceptions and develop a package that would be available, accessible, affordable, and acceptable to all the sections of society.

Okan Veli Safakli (2007) concluded in his paper that public information and public awareness are those important factors overlooked by the deposit insurance system design. Hence, public awareness is a very important factor for a newly established deposit insurance system.

P. R. Sodani (2001), investigated the community's preferences on various aspects of health insurance. The data was collected from a sample of 300 households in Jaipur, Rajasthan. The study revealed a low level of awareness (15

percent) about health insurance. Quality of care and cost were the two important factors identified by the community as the factors affecting their decision to subscribe to any new health insurance plan. The literature review points out that there is a wide gap between the rural insurance tapped so far vis-à-vis the potential available. Hardly 25% of the rural people are covered by any form of life insurance. The second important point emanated out of the literature survey is that there has been no systematic study of rural life insurance market from the perspectives of customers and insurance agents and all the literature is generic in nature based on secondary data.

3. Aims and objectives

- Examine the awareness of the respondents towards the insurance policies
- Compare the awareness among respondents of various age groups.
- Compare the penetration level of health insurance policies versus life insurance policies.
- Offer recommendations based on the result of the study.

4. Research methodology

The study is descriptive in nature, featuring the need for insurance in today's world. The alternate hypothesis states that there is no awareness about the insurance among the respondents in rural parts of Pune district. The main objective of the study was to find out the level of awareness about insurance among village people. Various comparisons have computed were based on age group, gender, and marital status. The sample size was restricted to less than 300 due to time constraints. A total sample collection was of 252 respondents collected from seven different remote areas of Pune district. A total number of four talukas were covered namely Maval, Ambegaon, Mulshi, and Haveli. The villages surveyed are Talegaon dabhade, Peth, Maale, Three small villages having a population of less than 80 from Tamhini ghat, Lohagaon, Shindavane, and Urli Kanchan. The majority respondents were females hence males were a minority. The occupation of maximum respondents was farming.

The primary data has been collected from the respondents. The questionnaire included both, the open-ended as well as the closed-ended questions.

Sample design: The method of data collection was through a sample survey.

Type Table of sampling used: Purposive sampling technique

Target area: Rural parts of Pune District including the remote areas of Tamhini Ghat.

The questionnaire prepared for the respondents is as follows:

- Personal details, Name, Age, Gender. (Name of the respondent is confidential)
- Do you have any knowledge about insurance? (Yes /

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Table 1
Awareness about Insurance taluka wise: The coding of the talukas has been done as follows: Maval (1), Ambegaon (2), Mulshi (3), and Haveli (4)

Description	Variables	Taluka				Total
		1	2	3	4	
Gender	Male	7 (11.9%)	12 (20.3%)	13 (22.0%)	27 (45.8%)	59 (100%)
	Female	8 (4.1%)	18 (9.3%)	58 (30.1%)	109 (56.5%)	193 (100%)
Marital Status	Married	14 (5.9%)	30 (12.6%)	66 (27.7%)	128 (53.8%)	238 (100%)
	Unmarried	1 (7.1%)	0 (0%)	5 (35.7%)	8 (57.7%)	14 (100%)
Life Insurance	Yes	1 (33.3%)	0 (0%)	0 (0%)	2 (66.7%)	3 (100%)
	No	14 (5.6%)	30 (12.0%)	71 (28.5%)	134 (53.8%)	249 (100%)
Health insurance	Yes	3 (13.6%)	0 (0%)	0 (0%)	19 (86.4%)	22 (100%)
	No	12 (5.2%)	30 (13.0%)	71 (30.9%)	117 (50.9%)	230 (100%)
Knowledge about insurance	Yes	2 (6.3%)	0 (0%)	0 (0%)	30 (93.8%)	32 (100%)
	No	13 (5.9%)	30 (13.6%)	71 (32.3%)	106 (48.2%)	220 (100%)
Age group	<=30	5 (4.5%)	7 (6.4%)	15 (13.6%)	83 (75.5%)	110 (100%)
	31-50	7 (10.8%)	8 (12.3%)	15 (23.1%)	35 (53.8%)	65 (100%)
	>=51	3 (3.9%)	15 (19.5%)	41 (53.2%)	18 (23.4%)	77 (100%)
Total		15 (6.0%)	30 (11.9%)	71 (28.0%)	136 (54.0%)	252 (100%)

Table 2
Knowledge of insurance: The name and taluka of the villages is as follows: Talegaon Dabhade (Maval), Peth (Ambegaon), Tamhini ghat (Mulshi), Maale (Mulshi), Lohgaon (Haveli), Shindanvane (Urli), and Urli Kanchan (Urli)

Knowledge of insurance					
Description	Variables	Yes	No	Total	Chi-square test (p-value)
Age group	<=30	22 (20.0%)	88 (80.0%)	110 (100%)	0.007
	31-50	6 (9.2%)	56 (90.8%)	65 (100%)	
	>50	4 (5.2%)	73 (94.8%)	77 (100%)	
Camp location	Talegaon Dabhade (Maval)	2 (13.3%)	13 (86.7%)	15 (100%)	0.00*
	Others	0 (0%)	101 (100%)	101 (100%)	
	Lohgaon (Haveli)	16 (32.7%)	33 (67.3%)	49 (100%)	
	Shindavane (Urli)	11 (14.5%)	65 (85.5%)	76 (100%)	
	Urli Kanchan (Urli)	3 (27.3%)	8 (72.7%)	11 (100%)	
Gender	Male	10 (16.9%)	49 (83.1%)	59 (100%)	0.26
	Female	22 (11.4%)	171 (88.6%)	193 (100%)	
Marital Status	Married	32 (13.4%)	206 (86.6%)	238 (100%)	0.142
	Unmarried	0 (0%)	14 (100%)	14 (100%)	
Total		32 (12.7%)	220 (87.3%)	252 (100%)	

(Source: Processed field data)

No)
- Have bought any insurance policy? (Yes / No)
- If yes, is it health insurance or life insurance?
- If no, then what is the reason for not buying?

All the 252 responses have been recorded and statistical analysis is done for processing the recorded data.

5. Presentation and analysis of data

- *Null Hypothesis (Ho):* There is awareness among the people about the insurance in rural parts of Pune district.
- *Alternate Hypothesis (H1):* There is no awareness among the rural people about insurance in rural parts of Pune district.

Interpretation and Result: Table 1 shows the overall awareness among the population of rural areas of Pune. Out of the four talukas, maximum population covered under Haveli talukas was with 136 respondents. The percentage population has been included under the brackets. From the table, it can be inferred that the percentage population of females is more than the males. In addition, the percentage population of married respondents is more as compared to unmarried respondents. There is 0% awareness among talukas 2 and 3. However,

talukas 4 has the highest number of people who are aware due to coverage of more respondents. Hence, 252 respondents were surveyed for their knowledge about insurance, out of which 12.7% of the respondents were aware, 8.7% of them had purchased health insurance policies and 1.2% had life insurance policies.

Interpretation: Table 2 represents the awareness i.e. knowledge about insurance among the population which is divided into three categories, age group, gender, and marital status. The categories are further divided into subgroups as shown in the table. There were seven villages covered under four talukas. The statistical test of the data done by using SPSS software and the computed Chi-square values of the variables are included in the table. Hence, from the table, it can be inferred that there are only 12.7% of the people out of 252 who are aware of insurance. Among seven villages, there is 0% awareness in others category which includes three villages namely, Peth, Tamhini Ghat and Maale. However, there is maximum awareness i.e. 32.7% in the camp location Lohgaon as compared to other locations.

Result: Since the p-value for the age group i.e. 0.007 is less than 0.05, therefore there is a significant relationship between age group and knowledge about insurance. On the other hand, the p values for gender and marital status i.e. 0.26 and 0.142 is more

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Table 3
Penetration of Life insurance policies: The name and taluka of the villages is as as follows: Talegaon Dabhade (Maval), Peth (Ambegaon), Tamhini ghat (Mulshi), Maale (Mulshi), Lohgaon (Haveli), Shindanvane (Urli), and Urli Kanchan (Urli), Confidence interval: 95%

Life Insurance					
Description	Variables	Yes	No	Total	Chi-square test (p-value)
Age group	<=30	0 (0.0%)	110 (100%)	110 (100%)	0.192
	31-50	2 (3.1%)	63 (96.9%)	65 (100%)	
	>=51	1 (1.3%)	76 (98.7%)	77 (100%)	
Camp location	Talegaon Dabhade (Maval)	1 (6.7%)	14 (93.3%)	15 (100%)	0.085
	Others	0 (0.0%)	161 (100%)	161 (100%)	
	Shindanvane (Urli)	2 (2.6%)	74 (97.4%)	76 (100%)	
Gender	Male	2 (3.4%)	57 (96.6%)	59 (100%)	0.075
	Female	1 (0.5%)	192 (99.5%)	193 (100%)	
Marital Status	Married	3 (1.3%)	235 (98.7%)	238 (100%)	1.00
	Unmarried	0 (0.0%)	14 (100%)	14 (100%)	
Total		3 (1.2%)	249 (98.8%)	252 (100%)	

Table 4
Penetration of Health Insurance policies: The name and taluka of the villages is as follows: Talegaon Dabhade (Maval), Peth (Ambegaon), Tamhini ghat (Mulshi), Maale (Mulshi), Lohgaon (Haveli), Shindanvane (Urli), and Urli Kanchan (Urli), Confidence interval: 95%

Health Insurance					
Description	Variables	Yes	No	Total	Chi-square test (p-value)
Age group	<=30	18 (16.4%)	92 (83.6%)	110 (100%)	0.001
	31-50	2 (3.1%)	63 (96.9%)	65 (100%)	
	>=51	2 (2.6%)	75 (97.4%)	77 (100%)	
Camp location	Talegaon Dabhade (Maval)	3 (20%)	12 (80%)	15 (100%)	0.00
	Others	0 (0%)	188(100%)	188 (100%)	
	Lohgaon (Haveli)	19 (38.8%)	30 (61.2%)	49 (100%)	
Gender	Male	3 (5.1%)	56 (94.9%)	59 (100%)	0.257
	Female	19 (9.8%)	174 (90.2%)	193 (100%)	
Marital Status	Married	21 (8.8%)	217 (91.2%)	238 (100%)	0.829
	Unmarried	1 (7.1%)	13 (92.9%)	14 (100%)	
Total		22 (8.7%)	230 (91.3%)	252 (100%)	

than 0.05, therefore, it can be said that the relationship between gender and insurance knowledge, and between marital status knowledge about insurance is insignificant.

Interpretation: Table 3 represents the penetration of life insurance policies. It includes three categories of variables i.e. age group, gender, and marital status. It can be inferred from the table that only 1.2% of the total respondents had life insurance policies and 98.8% of the respondents did not purchase the policies for life insurance. Another conclusion drawn would be zero respondents from one category of the camp locations who did not purchase any policy for life insurance. Hence there is 0% penetration in the others category which includes villages namely, Peth, Tamhini ghat, Maale, Lohgaon and Urli Kanchan. As compared to females, majority of males were the policy owners for life insurance.

Result: Since the p-value of all the three variables i.e. age group, gender, and marital status is more than 0.05, therefore, they do not have any significant relationship with the purchase of life insurance policies. Out 252 only 3 respondents i.e. 1.2% were found to have purchased the life insurance policies. Hence, the relationship is insignificant.

Interpretation: Table 4 shows the penetration of health insurance policies. It includes three categories of variables i.e. age group, gender, and marital status. Hence, we can infer from the table that only 8.7% of people were interested in purchasing health insurance policies. However, if we focus on age group, 16.4% of the respondents who have health insurance are aged below 30 years. Above 50 years of age, only 2.6% of respondents have purchased health insurance policies. The camp location Lohgaon from Haveli taluka shows maximum respondents i.e. 38.8% who have health insurance is due to government schemes for pregnant women. However, in others category there were 0% policy owners of health insurance, which includes villages namely, Peth, Tamhini Ghat, Maale, Shindavane, and Urli Kanchan.

Result: The p-value for age group i.e. 0.001 is less than 0.05; therefore there is a significant relationship between age group and purchasing of health insurance policies. Whereas the p-value of gender and marital status i.e. 0.257 and 0.829 are more than 0.05 hence the relationship between gender and marital status with purchase of health insurance policies is insignificant.

6. Findings and result

- The overall awareness about the insurance among the people is 12.7% according to the processed data.
- Few respondents insured were under government policies whereas rest had purchased policies from private companies.
- The survey covered 23.4% males and 76.6% females. of which 16.9% males and 11.4% females were aware of insurance.
- In a comparison between married and unmarried respondents, the aware married respondents were

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found to be 13.4% and awareness among unmarried respondents was found to be 0.00%.
- 24.2% population did not understand the benefits and necessity of purchasing insurance policies.
- 8.7% of the population had purchased health insurance policies.
- 1.2% of the population covered under life insurance policies by LIC.
- Summing up all the variables, the awareness of insurance among respondents was found to be 12.7% i.e. 32 respondents out of 252.

7. Discussion and conclusion

From the study, it can be concluded that there is very low level of awareness of insurance among the rural, which is one the major reasons for a low penetration level. The comparative penetration of health and life insurance policies showed that life insurance is preferred much less by the people. Age group also plays a major role in purchase of policies as observed from the data. Therefore, the purchased policies number found was to be more for the age group below 30 years. The majority health insurance coverage provided was to the pregnant women under the Maternity Benefit Programme for the women who have conceived for the first time.

Hence, the overall conclusion of the survey is that due to low level of awareness, penetration there is a need to improve the advertising as well marketing strategies by the insurance companies, both private and public, and government must keep implementing schemes like Maternity Benefit Programme to provide more and more coverage to the rural people.

8. Recommendations

- The companies must carry out awareness campaigns and organize seminars in the rural areas and educate people about insurance.
- The language used must be understandable to the people. Their regional language would be preferably better.
- The symbols, diagrams and images used in the hoardings and posters must be easily understood by the rural people.
- The people must be educated not only about health and life insurance but also about other insurance like crop insurance because the majority respondents surveyed was farmers.
- Advisors and counselors must be present in every PHC to explain patients about the different policies of the insurance and suggest the most suitable policy for them.

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