'MICRO ENTERPRISES AND INSURANCE'

Dr. Ashok S. Banne
Associate Professor,
D. R. K. College of Commerce, Kolhapur (Mah.)
Affiliated to Shivaji University, Kolhapur.

ABSTRACT :

An enterprise, may be micro, small, medium or large scale is always full of different types of risks and uncertainties. The risks and uncertainties may be due to competition, technological changes, government policies or business cycle etc. Some of the business risks may be avoided; some may be reduced through proper precaution while financial loss due to certain risks can be transferred through insurance. Every enterprise/industry must take a suitable insurance for his business and micro enterprises are not exception. However, the non-life insurance penetration in India which is the major indicator of growth of insurance in the country is far lower as compared to the advanced countries. One of the reasons is that the micro businessmen are not aware of the need of the insurance in their business life cycle. The present research was undertaken to know the awareness and attitude of the micro businessmen towards need of insurance for their micro business unit. The One Sample 't' Test was used to test the hypothesis and Mean, standard deviation, and ranks are the statistical tools brought in use. The research revealed that according to samples, overall, insurance is not a necessity of every business.

KEYWORDS : *Micro Industry, insurance, penetration, Risks, Business Cycle.*

INTRODUCTION:

Since, micro and small scale industries are the wheels of the industrialization process of an economy; these industries are found in all countries including India. Small scale industries have been given importance in the Indian planning since the first five year plan. Micro, small and medium scale enterprises (MSMEs) have emerged as the most dynamic and vibrant sector in Indian economy. The micro enterprises are generally run by the sole traders or partnership firms. They carry on their activities in local market or regional markets. They are mostly labour intensive and can be established even in remote areas. They can be spread in rural areas that help the balanced regional growth of an economy. The micro and small units, though smaller in size, they have huge employability.

DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES):

Micro, Small and Medium Enterprise has been defined under Micro, Small and Medium Enterprises Development Act 2006. The Act has classified MSMEs into two categories Manufacturing Enterprises and Service Enterprises.

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Sr.	Enterprise	Manufacturing Industry (Investment in Plant and Machinery In Rs.)	Service Industry (Investment in Equipments In Rs.)
1	Micro	Less than 25 Lacs	Less than 10 Lacs
2	Small	Between 25 Lacs and 5 Crores	Between 10 Lacs and 2 Crores
3	Medium	between 5 Crores and 10 Crores	Between 2 Crore and 5 Crores

Source: Khanka S.S., (2012), *'Entrepreneurial Development' 7th edn,* S. Chand and Company Ltd., New Delhi-110055, p 253.

IMPORTANCE OF MICRO AND SMALL ENTERPRISES:

Micro and small enterprises are the backbone of an economy. In a country like India, where there are certain critical economic problems such as huge population, unemployment, poverty etc., the Micro and Small enterprises can play a vital role. Micro enterprises do not need much capital investment and can be established with ease. They are more labour intensive and do not need more number of skilled labour. They can be run with the help of semi-skilled and unskilled manpower. Thus, they have huge capacity to create employment opportunities. Micro and Small enterprises lead to balanced regional development, optimum utilization of available resources spread in different corners of the country, increase in foreign exchange reserves through export, development of large scale industries by playing supplementary and complementary role and so on.

MICRO ENTERPRISES AND INSURANCE:

The famous economist Knight stated that 'profit is a reward for risk bearing' (Khanka S.S. 2012). Unless an entrepreneur accepts risk and uncertainty, he cannot make profit/returns. An enterprise may be micro, small, medium or large; it is full of different types of risks and uncertainties. The risks and uncertainties may be related to competition, technological changes, changing government policies, natural calamities, life cycle risks etc. Some of the business risks may be avoided; some may be reduced through proper precaution while financial loss due to certain risks can be transferred through insurance. Therefore, every business/industry must take a suitable insurance for his business and micro business units are not exception. Insurance is an integral part of the business. With the help of insurance an entrepreneur can absorb the shocks of losses in the business due to different types of risks. Insurance cover gives cushion to the enterprise and entrepreneur from the probable losses.

There are total 28 non-life insurance companies in India including 4 public sector insurers, 17 private sector insurers, 2 specialized insurers, four standalone health insurers and a re-insurer (IRDA Annual Report). These companies sale different types of insurance policies for business enterprises. The insurance plans for businesses are made available with riders that makes an insurance policy tailor made and customized. An insurance policy for business may be Shop Insurance, Employer's Legal Liability Insurance, Engineering Insurance, Product Liability Insurance, Commercial Property Insurance, Commercial Vehicle Insurance, Business Interruption Insurance, Group Insurance for Employees, Fire Policy, fidelity Guarantee Insurance, Burglary and Housebreaking Insurance, Terrorism Cover etc. The policies cover buildings, stock, machinery, business interruption, goods in transit, furniture and fittings, glass, commercial vehicles etc.

Importance of insurance can be stated in the words of Kshitij Patukale (2009) who says "Those who scoff at insurance without even thinking about it properly must remember that no other foolishness matches that of NOT taking out insurance."

Though, they know that there are uncertainties and anything can happen at any time, they do not understand that insurance can be a right solution to solve financial problems of the business enterprise/industry due to unforeseen events. Many micro entrepreneurs feel that buying something like insurance is just wastage of money.

RESEARCH METHODOLOGY:

The study is descriptive inferential in nature that describes the level of awareness of the respondents about need of insurance among the Hawkers and Tea Stall Holders in their business unit.

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The hypothesis 'there is no awareness among the samples towards need of insurance for micro business units' was set to test. The study was undertaken with the objective 'to assess the awareness of Hawkers and Tea Stall Holders towards need of insurance for micro business units'. Cronbach's Alpha was calculated to check the reliability of the data which was 0.569. A sample of 40 was selected from the Hawkers and Tea Stall Holders in Kolhapur city. As one schedule was not completely filled in by the respondent, the actual sample size remained 39.   Random sampling method has been used to collect data from the samples. Effort has been made to collect the data from samples running business in different areas of Kolhapur city. The secondary data related to conceptual framework and review of literature was collected through reference books, journals, newspapers and websites.

A Structured Schedule was used to collect primary data from the respondents. The questions in the schedule were close ended and codified so as to facilitate data feeding and analysis. The first part of schedule consisted of information related to demographic profile of the respondents and the second part consisted of seven statements related to awareness of respondents about need of insurance in micro businesses.   The awareness level has been measured on five point scale as 1=strongly disagree and 5=strongly agree. The statistical tools percentage, mean, SD and ranks were used for analysis and interpretation. One sample 't' test was applied to test the hypothesis and to draw the conclusions. SPSS software was brought in use for analysis.

Presentation and Analysis of Data:
The primary data has been presented and analysed in three parts:
I.   Demographic Profile of Hawkers and Tea Stall Holders
II.   Awareness about Insurance in micro business units.
III. Hypothesis Testing

Part I: Demographic Profile of Hawkers and Tea Stall Holders

DISTRIBUTION OF SAMPLE AS PER TYPE OF BUSINESS:
For the present research two types of micro enterprises i.e. Hawkers and Tea Stall Holders have been considered. Hawkers include the travelling retailers dealing in marketing of fruits, readymade clothes, electronic goods, cutlery items etc. and Tea Stall Holders include the tea stall holders, Wada Pav Stall Holders who have a fixed place of their business.

Table 1
Sample distribution as per business type
(n=39)

Sr.	Business type	Frequency	Percent
1	Hawkers	20	51.3
2	Tea stall holders	19	48.7
	Total	39	100.0

Source: (Processed Field Data)

Table number 1 shows that out of the total sample of 39, 51.3% are Hawkers and 48.7% are Tea Stall Holders.

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Table 2
Gender wise Distribution of Samples

Sr.	Gender	Consolidated (n=39)		Hawkers (n=20)		Tea stall holders (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	Male	33	84.6	19	95.0	14	73.7
2	Female	6	15.4	1	5.0	5	26.3
	Total	39	100.0	20	100.0	19	100

Source: (Processed Field Data)

Table number 2 shows gender wise number of respondents in Kolhapur city. It is observed that 84.6% respondents are male and 15.4% respondents are female. The percentage of male Hawker samples is 95% and female Hawker sampsle is 5% and the same is 73.7% and 26.3% respectively from Tea Stall Holders in Kolhapur city.

Overall, the percentage of male respondents is far more than female respondents in both urban and rural area.

Table 3
Age wise Distribution of Samples

Sr.	Age in years	Consolidated (n=39)		Hawkers (n=20)		Tea Stall Holders (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	18-23	4	10.3	1	5.0	3	15.8
2	24-29	7	17.9	4	20.0	3	15.8
3	30-35	5	12.8	3	15.0	2	10.5
4	36-41	7	17.9	2	10.0	5	26.3
5	42-47	8	20.5	4	20.0	4	21.1
6	48-53	5	12.8	4	20.0	1	5.3
7	53-60	3	7.7	2	10.0	1	5.3
	Total	39	100.0	20	100	19	100

Source: (Processed Field Data)

Table number 3 shows age wise frequency of respondents under this study. It is seen that the highest number of respondents from consolidated samples fall in the age group of 42 to 47 which is 20.5% of total samples, followed by age group 24 to 29 with 17.9%% and age group 30-35 with 17.5% respondents. In case of Hawker samples it is seen that the age groups 24 to 29, 42-47 and 48to 53 have highest number of samples with 20% each and in case of Tea Stall Holder samples the highest number of respondents are from age group 36 to 41 which is 26.3% followed by age group 42 to 47 with 21.1%.

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Table 4
Marital Status wise Frequency of Samples

Sr.	Marital Status	Consolidated (n=39)		Hawkers (n=20)		Tea Stall Holders (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	Married	29	74.4	15	75.0	14	73.7
2	Unmarried	10	25.6	5	25.0	5	26.3
	Total	39	100.0	20	100.0	19	100

Source: (Processed Field Data)

Table number 4 shows frequency of samples according to marital status in Kolhapur city. It is seen that 74.4% respondents are married and 25.6% are unmarried from consolidated samples. 75.4% Hawker samples are married and 25.6% are unmarried and the same is 75% and 25% respectively for Tea Stall Holder samples.

Table 5
Educational Qualification wise frequency of Samples

Sr.	Education of the samples	Consolidated (n=39)		Hawkers (n=20)		Tea Stall Holders (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	Illiterate	3	7.7	1	5.0	2	10.5
2	Below SSC/HSC	22	56.4	11	55.0	11	57.9
3	Some college but not graduate	11	28.2	6	30.0	5	26.3
4	Graduate and above	3	7.7	2	10.0	1	5.3
	Total	39	100.0	20	100	19	100

Source: (Processed Field Data)

Table number 5 depicts the educational qualification wise number of samples. It is observed that 56.4% respondents have SSC/HSC educational qualification, followed by 28.2% with some college but not graduate while 7.7% each are illiterate and graduate and above. 55% Hawkers and 57.9% Tea Stall Holders are below SSC.HSC.

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Table 6
Monthly Income wise Frequency of Samples

Sr.	Monthly Income (In Rs.)	Consolidated (n=39)		Hawkers (n=20)		Tea Stall Holders (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	Below 5000	7	17.9	6	30.0	1	5.3
2	5001 to 10000	14	35.9	6	30.0	8	42.1
3	10001 to 15000	10	25.6	6	30.0	4	21.1
4	15001 to 20000	6	15.4	2	10.0	4	21.1
5	20001 to 25000	2	5.1	--	-	2	10.5
6	25000 & above	0	0	-	-	-	-
	Total	39	100.0	20	100		100.0

Source: (Processed Field Data)

Table number 6 shows monthly income wise distribution of samples for this study. It is observed that the percentage of consolidated respondents with monthly income Rs. 5001 to Rs.10000 is highest i.e. 35.9%% followed by income group of Rs.10001 to Rs. 15000 with 25.6%. No respondent is from the income group of Rs. 25000 and above.

Table 7
Frequency of Samples who have taken a Policy for their Business:

Sr	Policy Taken/Not Taken	Consolidated (n=39)		Hawkers (n=20)		Rural (n=19)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
	Yes	14	35.9	6	30.0	11	57.9
	No	25	64.1	14	70.0	8	42.1
	Total	39	100.0	20	100	19	100

Source: (Processed Field Data)

Table number 7 shows that out of the 39 samples 25 i.e. 64.1% have not taken an insurance policy. It is further observed that 70% of the Hawker samples' businesses are uninsured.

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Part II: Respondents' Awareness towards Need of Insurance in Their Business

Table: 8
Respondents' Awareness towards need of Insurance

Sr.	Description	Consolidated (n=39)			Hawkers (n=20)			Tea Stall Holders (n=20)		
		Mean	SD	Rank	Mean	SD	Rank	Mean	SD	Rank
1	Insurance is necessity of every business	2.51	1.09	7	1.65	.48	6	1.68	.48	7
2	Even a small business should obtain insurance.	2.94	1.21	6	1.80	.41	3	1.84	.37	2
3	Insurance minimizes future financial risk of business	3.07	1.15	5	1.85	.36	2	1.78	.41	4
4	Reading conditions overleap policy document is necessary	3.15	1.06	4	1.55	.51	7	1.78	.48	5
5	Insurance needs differ from business to business.	3.17	1.27	3	1.95	.22	1	2.00	.00a	1
6	Insurance policies for business come in numerous types applicable to different purposes	3.69	1.02	2	1.80	.41	4	1.68	.47	6
7	One should obtain different insurance plans with riders serving different purposes	4.02	.84	1	1.80	.46	5	1.84	.38	3
	Spearman's rank correlation between consolidated and urban								.879**	
	Spearman's rank correlation between consolidated and rural								.589**	
	Spearman's rank correlation between urban and rural								.679**	
	** Correlation is significant at the 0.01 level (2-tailed).									

Source: (compiled from Field data)

Table No.8 indicates opinions of samples towards awareness about insurance in their business. The table shows how the respondents look at the insurance and the place of insurance in their business. It is seen that mean for the responses fell between 2.51 and 4.02 with a standard deviation ranging from 0. 84 to 1.27 for consolidated opinion i.e. all samples. The mean scores on the responses of hawker samples fell between 1.55 and 1.95 with a stand deviation ranging from .22 to .51 while the mean scores of tea stall holder samples fell between 1.68 and 2.00 with a standard deviation ranging from .00 to .48.

For the purpose of assessing the relationship between the opinions of samples about the parameters, Spearman's Rank Correlations are calculated. Relationship between all samples and hawker samples, between all samples and tea stall holder samples as well as hawker samples and tea stall holder samples is found to be positive. The spearman's rank correlation between all samples and hawker samples is .879 while the same is .589 between all samples and tea stall holder samples which is significant at 0.01 level of significance. The spearman's rank correlation between hawker samples and tea stall holder samples is .679 which is also positive and significant at 0.01 level of significance.

With the mean score of 4.02 and considerable standard deviation of 0.84, the parameter 'One should obtain different insurance plans with riders serving different purposes' ranked first by all samples. This shows that the samples are of the opinion that one should buy a combination of different types of insurance plans to suit their varied insurance needs.

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There is disagreement of all samples towards the parameter 'insurance is necessity of every business' with mean value 2.51 and standard deviation 1.09 which is not acceptable. As far as hawkers are concern the mean and standard deviation are 1.65 and .48 respectively. The same is 1.68 and .48 in case of tea stall holder samples which is also acceptable. This indicates that the entire sample considers insurance is not a necessity of every business.

The parameters used to assess the awareness among the samples about insurance where there is more agreement are 'One should obtain different insurance plans with riders serving different purposes' with mean score of 4.02, 'Insurance policies for business come in numerous types applicable to different purposes' with mean score of 3.69.

The parameters 'Insurance needs differ from business to business' with mean score of 3.17, 'Reading conditions overleap policy document is necessary' with mean score of 3.15 and 'Insurance minimizes future financial risk of business' with mean score of 3.05 are on the verge of disagreement showing very little positiveness towards insurance for business.

The table further shows that there are 2 parameters with mean value less than 3.0 viz.' Even a small business should obtain insurance' with mean score of 2.94 and 'Insurance is necessity of every business' with mean score of 2.51 showing disagreement.

Hypothesis Testing:

H1 'There is no awareness among the samples towards need of insurance for micro business units'

To check the opinion of respondents regarding the awareness among the micro entrepreneurs i.e. Hawkers and Tea Stall Holders about the need of insurance, 7 statements were prepared and the opinions are measured with five point scale as 1 for strongly disagree, 2 for disagree, 3 for neutral , 4 for agree and 5 for disagree. The mean and standard deviation score of each statement are as follows-

Table: 9
Description of Awareness about need of Insurance for business

Sr.	Parameters	N	Mean	SD	Std. Error Mean
	One-Sample Statistics				
1.	Insurance is necessity of every business	39	2.5128	1.09717	.17569
2.	Even a small business should obtain insurance.	39	2.9487	1.21284	.19421
3.	Insurance minimizes future financial risk of business	39	3.0769	1.15587	.18509
4.	Reading conditions overleap policy document is necessary	39	3.1538	1.06471	.17049
5.	Insurance needs differ from business to business.	39	3.1795	1.27469	.20411
6.	Insurance policies for business come in numerous types applicable to different purposes	39	3.6923	1.02992	.16492
7.	One should obtain different insurance plans with riders serving different purposes	39	4.0256	.84253	.13491

Source: (Processed field data)

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Awareness about Need of Insurance for Business- Test of Significance:
Table: 10
Awareness about need of insurance for business- Test of Significance

		One-Sample Test					
		Test Value = 3					
Sr.	**Parameters**	**T**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
						Lower	**Upper**
1.	Insurance is necessity of every business	-2.773	38	.009	-.48718	-.8428	-.1315
2.	Even a small business should obtain insurance.	-.264	38	.003	-.05128	-.4444	.3419
3.	Insurance minimizes future financial risk of business	.416	38	.000	.07692	-.2978	.4516
4.	Reading conditions overleap policy document is necessary	.902	38	.03	.15385	-.1913	.4990
5.	Insurance needs differ from business to business.	.879	38	.05	.17949	-.2337	.5927
6.	Insurance policies for business come in numerous types applicable to different purposes	4.198	38	.000	.69231	.3584	1.0262
7.	One should obtain different insurance plans with riders serving different purposes	7.602	38	.000	1.02564	.7525	1.2988

Source: (Processed field data)

Table number 10 depicts the one sample 't' test statistic of all these statements -.773, -.264, .416, .902, .879, 4.198, 7.602 respectively at 38 df. Since the 'p' values of all statements are lesser than alpha 0.05, that gives the evidence that the test is significant at 95% of confidence at two tailed. Thus, result supports to **reject the null hypothesis** that there is no awareness among the samples towards need of insurance for micro business units.

FINDINGS:
1. The overall level awareness about insurance of samples i.e. hawkers and tea stall holders was gauged by using 7 parameters. The responses were assessed on five point scale, 1 strongly disagree to 5 for strongly agree. The mean, SD and ranks are calculated. The mean values fell between 2.51 and 4.02 with a standard deviation ranging from 0.84 to 1.27 for consolidated opinion i.e. all samples. For hawker samples the mean values are between 1.55 and 1.95 with a standard deviation ranging from o.22 to 0.51 and the mean scores of tea stall holder samples fell between 1.68 and 2.00 with a standard deviation ranging from 0.00 to 0.48.
2. For the purpose of assessing the relationship between the opinions of samples about the parameters, Spearman's Rank Correlations are calculated. Relationship between all samples and hawker samples, between all samples and tea stall holder samples as well as hawker samples and tea stall holder samples is found to be positive. The Spearman's rank correlation between all samples and hawker samples is .879 while the same is .589 between all samples and tea stall holder samples which is significant at 0.01 level of significance. The spearman's rank correlation between hawker samples and tea stall holder samples is .679 which is also positive and significant at 0.01 level of significance.
3. It is found that overall samples feel that insurance is not a necessity of every business with mean score of 2.51.

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4. It is further found that according to the samples the small businesses do not need insurance cover with mean score 2.94.
5. According to both hawker samples and tea stall holder samples insurance is not a necessity of business and is not required for small enterprises.
6. Both samples i.e. hawkers and tea stall holders do not agree that insurance needs differ from business to business.
7. It is found that only 14 i.e. 30.9% of the total sample have taken insurance for their business of which 6 i.e. 30% are Hawkers and 11 i.e. 57.9% are Tea Stall Holders indicating lower level of awareness about need of insurance among them.

CONCLUSIONS:

Insurance cover is definitely a protective umbrella for the micro and small enterprises that helps them to compensate financial losses caused due to different kinds of risks and uncertainties. However, many micro entrepreneurs lack the awareness about the need of insurance for their business. Therefore, it is necessary to create awareness among the micro entrepreneurs about the same through special efforts.

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