



## FROM MICRO CREDIT TO MICRO BANCASSURANCE

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### Abstract:

*In India, the share of rural population in total population was 74.3% in 1991 which decreased to 72.2% in 2001 census. It was only due to rapid industrialisation and the consequent migration of rural population to urban areas. It may be possible in 2030 it will decline to 60%. In short the bulk of India's population lives in rural areas.*

*Microcredit program which was heralded in 1992 with a modes pilot project of linking around 500 SHG. The microcredit program in India is now the largest in the world.*

*Low income people has little access to financial services. Government of India through banking sector, NABARD is supporting for microfinance to these type of SHG along with the bancassurance program for overall development of the poor rural people.*

### KEYWORDS:

Micro , Bancassurance , industrialisation , economy , Management .

### 1.INTRODUCTION

Now a days, Rural India is in the process of transforming itself into a vibrant economy due to the splendid growth of the Self Help groups (SHG) Movement over the years. NABARD has launched the Pilot Project on SHG-Bank linkage program in 1992, and Since then, RBI & NABARD has provided the enabling policy support from time to time , which paved the way for the Program to emerge as the world's largest Micro Finance Program.

In march 2005 there were 16.15 Lakh credit linked SHGs in India and the cumulative SHG Bank loans disbursed aggregate to Rs. 69,980/- million covering 24.5 million poor households.

The micro finance includes Provision of Micro Credit, Micro Saving, Micro Insurance and Business Development Services to the poorest. In India the Provision of micro credit has reached a auto piloting stage. Still , more concerted efforts have to be made in these arena. Hence micro credit helped to poor to increase their income and build their asset base.

Bangladesh the total economy depends on SHGs. Mr.Mohd Yunus provided his skills and got Noble Award in 2002 in this particular area.

### RISK MANAGEMENT BY THE POOR

A rapid study by the author whenever worked as a General Manager in Yavatmal Gramin Bank ( RRB ) an deputation through Central Bank Of India, 80 members from 50 SHGs randomly selected from 5 Tahasils of Yavatmal District Like wise Darwa, Arni, Mukutban, Ralegaon & Umerkhed to understand the process of the risk management by the poor, revealed the following findings.

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### STUDY FINDING

Poor face various risks and remain more vulnerable as most of them have no access to formal risk transfer arrangements.

Risk perception by the poor also differs according to their habitat, Livelihood Buffer assets and awareness. The poor prioritizes the risks such as Life accident, health, Livestock & Crop Loss.

As per study 32% of the respondents households faced one or other financial crisis / risk events during the last 5 years.

25 % of them suffered the financial crisis due to drought, 15 % due to hospitalization, 10 % due to marriage in their family 02% due to their children's education 4% due to death in their families and 12% due to other reasons.

Apart from this it was also reported that

12% of respondents used saving to manage the crisis.

65% borrowed

13% diverted their working capital from their micro enterprise.

5% used other means to manage their risk events

5% from other sources.

In short we can say that to reduce the vulnerability of the poor, Banks and Insurance companies can come together and offer products so that the poor can access the full range of financial services,

### LOW OUTREACH OF MICRO INSURANCE

As per the ILO estimates in India, 90% of people are excluded from any form of social security cover. The low level of outreach of micro Insurance Services can be attributed to the following

Low awareness

Non availability of suitable products

Complex processes

Poor claim settlement record

Distribution problems

Lack of net work of insurance companies

Perception of the Insurers

Size of premium

### The way Forward

The need of the hour is to address the issues by evolving poor products and processes, for which the banks and the Insurance companies have a larger role to play. The products include saving Loan and Insurance Products

The Government, regular and donors can take up the micro insurance awareness creation campaigns through mass media; can also Focus on offering capacity building programs on micro insurance to all the stakeholders.

### Products

Saving Products

Loan products

Insurance Products

When the occurrence of the loss event is uncertain, its frequency is not often and the loss is on the higher side, Insurance is the best option.

### Micro Bancassurance

Most of the bank have cooperate agency arrangement with formal insurance companies to distribute the insurance products without risk participation, which is termed as Bancassurance. In this, only high net worth individuals and middle class segment are targeted as of now and the poor are left out

As Banks have sizable number of credit linked micro bancassurance tieup with insurance

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companies and offer micro Insurance Products to start with Life cover and personal accident cover for the borrowing SHG members and crop & Livestock cover for their crop and livestock shall be provided.

### PROCESSES

Simplified processes will reduce the cost to the insurer as well as to the client and it will lead to increased effectiveness. The following changes in the processes will go a long way in attracting more clients.

Insurance enrolment and claim forms may be redesigned in simple manner.  
Policy product must in a single one page  
Banks can add the cost of insurance cover in their interest rate quoted or can generate separate program in their computer system.  
Recover premium on monthly basis  
Submission of documentary evidences should be kept minimum.  
Centralized claim processing and settlement may be delegated to the field level committees for quick settlements of claim.

### CONCLUSION

Banks have a larger network of branches and SHG's within their Fold , they can easily sell the micro bancassurance products, service them well and can earn an additional income, which will go a long way improving the bottom line of the banks.

### REFERENCES

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