



FINANCIAL INCLUSION AND INSURANCE INCLUSION -HAND-IN HAND LEADING TO PROGRESS

Prof.P.Maheswari

Kasturba Gandhi Degree and PG College for Women West Marredpally, Secunderabad, Telangan State.

INTRODUCTION

Financial Inclusion is one of the very hot topics across the country now a day. Government is treating Financial Inclusion as one of the Top priority sectors in economic policy. There is a drastic change in economic and social development after independence and especially with the change in the mindset of the Government. With a worldwide revolution in reforms and globalization people are connected by the technology. But unfortunately still there are people who live below the poverty line(BPL) and that too in rural regions of the country. One of the most effective ways of financial inclusion is through Banking Sector. While Government identified the areas for development, Government and RBI has taken initiatives to promote Financial Inclusions in rural areas too, has gave a mandate to banks to promote banking to rural areas, especially to those who are not covered in Financial Inclusion and banks have made a considerable progress in this regard. With the determined and dynamic Hon'ble Prime Minister, Shri Narendra Modi's Pradhan Mantri Jan-Dhan Yojana(PMJDY), Banking sector got a high way to reach the rural in covering those who do not have access to the Banking services.

It is also felt that insurance plays a key role in the development of the country, making one's life valuable, especially those dependents. It is irony that insurance significance is not yet felt by the Indians. Insurance is more covered in urban than in rural making it urban-centric. That is to say the rural population is largely uninsured or under insured. This situation will lead to financial insecurity, insecurity due to droughts, floods and loss of crops are prevalent in Rural regions of India. Measures taken in foreign countries are far more advanced than in our country. The importance of insurance has increased after the Financial Inclusion started to propagate in India.

INSURANCE AS A PART FINANCIAL INCLUSION

It is identified that Insurance is key and should be made part of the Financial Inclusion as it can be covered along with banking, while getting the rural areas in the ambit of Financial Inclusion. The significance of Insurance can be viewed from policy making point of government. Insurance pave way for savings, investments and thus capital formation and also increases GDP growth. Normally savings in rural regions are mostly invested in assets likes Gold, unlike more returnable assets. Since these rural regions are not having access to Banking services, they are forced to invest in those assets, which are traditional. Hence there is a need to divert these savings to development of the individual and this country. Insurance premium contributes to capital formation and thus economic growth of the country. Social security is the main goal of the insurance concept. Basically insurance started for covering the life of a person, called insurer. As large part of the population is from unorganized sector and not covered under social security schemes, which is becoming burden on the government in case of any unexpected situation. Risk management is becoming compulsory in business especially to small and medium business, in case of accidental loss of their assets, general insurance will come into aid in those situations.

As on date, insurance cover in rural regions is limited and it is reported that 90% of Indian population has no insurance coverage and this figures are far less when compared to other developed countries. Hence there are challenges for insurance to be made part of Financial Inclusion in India. Some of them are

FINANCIAL ILLITERACY

This is one of the biggest challenge for Insurance to be part of Financial Inclusion in India, especially people in rural areas are not only unaware of Financial services but there do not know the significance and importance of Insurance and also its benefits. Also the confidence of people, in insurance companies with respect to claims is spreading negative attitude towards insurance. Changing the mindset and instilling confidence and making them realize the benefits of insurance is not only tough but also a gigantic task. Product complexities also lead to the low spreading of the insurance, since terms and conditions are difficult to understand and this leads to misunderstanding about the product and also rural people believe that there is hidden agenda behind them for extracting money.

DISTRIBUTION NETWORK

Insurance depends largely on agents and their network and with the competition from different insurance companies, the companies are sale driven and not need driven and this leading to misrepresent the basic concept of insurance. This is also lead to the poor spread of insurance in rural areas. IRDA though imposed strict regulations when selling the product to the needy, still there is a lot to do with the insurance to be a part of Financial Inclusion.



MEASURES FOR INCLUDING INSURANCE AS PART OF FINANCIAL INCLUSION

- 1) **Increasing Financial Literacy** : This is one of the most important and prerequisite for promoting Insurance as part of Financial Inclusion. People unlikely to buy insurance unless they are aware of the same totally and understands its benefits and significance. Corporate Sectors plays key role in this regard, with the support of Universities and insurance agents. One has to understand the need of the people and advise a proper product so that people are convince about the same.
- 2) **Need based products** : Insurance companies must always innovate new products that will serve the purpose of different sections of the society and they should be time based and should change with the need of the society. Insurance products should cover both cattle and crop for the people in rural regions.
- 3) **Technology**: Use of Technology is a key factor in reducing the cost of service and insurance companies must use them extensively to reduce the cost and increase the reach of the product. Micro- insurance :Low income groups are to be covered by increasing the reach of the micro-insurance to be part of Financial Inclusion. It is also helps in reducing the risk of Micro-Insurance for the group. With the launching of Pradhan Mantri Jeevan Jyothi Bima Yojana(PMJJB Y) , Pradhan Mantri Suraksha Bima Yojana(PMSBY) are two insurance, offering to common man in India at a very nominal premium and role of NGO's, SHG are most important in spreading these two wonderful policies.
- 4) **Bancassurance** : Now a days Banks are not functioning in traditional ways of just deposits and lending money, instead they are offering many products including insurance also known as bancassurance, either their own like SBILife or with the collaboration with an insurance companies/third parties. Spread of Banks network is the key in this aspect, for instance Punjab National Bank one of the largest rural bank's having large network. Trust of the people and their relation with Bank are key to this measure in including the Insurance as part of the Financial Inclusion.

CONCLUSIONS

For the growth of economy Financial Inclusion is a must and it is the basic step. To improve the standard of living by uplifting the poor from the clutches of the inflation and other poverty issues, Government has to take certain measure and one among them is making the Insurance as part and parcel of the Financial Inclusion. With the dynamic and innovative and pro-people head Shri Narendra Modi, Prime Minister of the country is heading towards progress and with a right direction in right time, by introduction of PMJJBY and PMSBY for the benefit of the poor is a great sign of progress, in including those who were excluded in Financial Services. Financial Inclusion and Insurance Inclusion should go hand in hand building Financially Strong India.

REFERENCES

1. Insurance and Social Security for Rural India, Rachna Sharma and Prema Ram Chandran.
2. The Journal of Insurance Institute of India July-December 2011.
3. Insurance Inclusion, Need of the Hour, Nidhi Chaudhary, The Indian Bankers, February 2013.
4. The Management Accountant , Wider Insurance coverage for Better Financial Inclusion, Dr.Pankaj Trivedi, July, 2015.
5. Basu , Priya (2006) , Improving Access to Finance for India's Rural Poor, the World Bank:Washington.D.C.
6. Dr.Vijay Durga Prasad, Financial Inclusion: Role of MicroFinance(2009),HPH,p.72.