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Abstract

Purpose: Micro-insurance as a financial scheme is proportionate to the probability and expense of risk in order to cover low-income companies from particular risks in return for daily premium payments. Microinsurance can assist the low-income household's mange risks hence allowing them to maintain a sense of financial confidence even in the face of significant vulnerability. The purpose of this study was to evaluate the influence of microinsurance access on poverty alleviation.

Methodology: A desk-study method was adopted.

Findings: Micro-insurance was found to be a powerful tool in protecting the poor and their assets from negative external shocks, compensating the effects of covariate shocks (e.g., natural disasters), they address gender-specific vulnerabilities, and freeing up household capital for investment in small enterprises.

Unique contribution of theory, practice and policy: Microinsurance should be embraced by the government to enhance poverty alleviation in developing countries. The insurers should constantly provide information about their products so that the poor can become knowledgeable on the same. Aggressive awareness campaigns about the importance of microinsurance could be spearheaded by the industry demonstrating the benefits of the service.

Key words: *Microinsurance, Poverty Alleviation, Financial Confidence*

INTRODUCTION

The populace in developing countries be it better or worse offs are exposed to a variety of risks like illness, disability, death, unemployment, or crime vulnerable to become poor. Low income households, however, are less able to prevent and mitigate risks and so they are less able to cope with the consequences. The developmental role of conventional insurance service any nation is pivotal. This is because economic development focuses attention upon the development and use of recourses to increase supply and improve the distribution of economic goods. However, in parts of the world where there is low insurance patronage, the vast majority of the citizen are exposed variants types of risk. The resulting effects are poverty, economic insecurity, insurgency, and social vices (Mutua, 2017).

Micro-insurance is considered as one of the most effective means of reducing the vulnerability of the poor from the impacts of disease, theft, violence, disability, fire and other hazards. This method of insurance can protect against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more insurance becomes the most economical form of protection. Micro-insurance moreover, can break the cycle of poverty experience by providing low-income households, business and farmers with access to post disaster liquidity, thus protect their livelihoods and providing for reconstruction (Mutua, 2017).

Micro insurance is distinguished by low premium and low coverage limits, offered in traditional risk pooling and marketing structures and intended to benefit individuals with low income and organizations other than social or company insurance schemes. Micro-insurance schemes are built to cover people excluded from statutory social security, notably the workers in the informal economy and their families. Micro-insurance schemes are most often initiated and operated by organizations of civil society such as trade unions, NGOs, micro-finance institutions (MFIs), cooperatives, community-based organizations and mutual health organizations (Rotich, Lagat, & Kogei, 2017).

Micro-insurance measures are not limitable to the size of the risk-taker: some are small, even informal, some very large companies, risk scales: the risk itself is by no means "micro" to small and medium-sized businesses that are aware of it, the supply channel: they can be supplied by different networks, including small-scale community schemes, loans or other forms, premium amount annually, claims settled in a year and number of insurance product (Kibet, Achesa, & Gedion, 2019).

Micro insurance or the insurance for the poor has been considered as "the next revolution" in addressing risks and vulnerability in low-income countries. In particular, huge investments have been made in the last decade by several development agencies (among which USAID and the Gates foundation) in this revolutionary tool that promised to break the circle of poverty and offer a reliable protection to the poor. Its name echoes the well-known micro-credit phenomenon, on purpose. Both concepts have in common a specific attention to low-income households in the developing world. They, moreover, try to solve a market imperfection which is identified as perpetuating poverty. However, microinsurance is an even more complex concept than micro-credit. First, it implies paying a regular premium in return for an uncertain payout. Second, it is mostly conceived as individual contracts where some enrollees benefit from a compensation while others do not. Finally, microinsurance is far from being homogeneous. It namely concerns a wide variety of risks and takes a lot of different forms (Lal, 2018).

Poverty may be defined as households unable to afford the basic necessities. Alternatively, poverty may be defined as a standard of living below identified income level. However, poverty is defined under the basic human needs approach not in terms of income but rather as the lack of good nutrition, good health, education opportunities and similar dimensions of welfare. From this approach, it is clear that poverty is simply not an issue of income but it focuses on all areas like health, safety and education (Whiteford, 2020).

Poor people are typically more exposed to risks and least protected from them. They have limited assets, and are thus less able to deal with risks and absorb shocks. Risk exposure has a direct bearing on wellbeing, causes poverty or can increase the depth of poverty. Risks and shocks can be related to all dimensions of poverty: human, socio-cultural, political, protective and economic. The direction of causation can be both ways – poverty causes exposure to risks, e.g. poor people are forced to live in an area exposed to natural hazards, and risks can cause poverty (Chakatsva, 2017).

At the wake of independence, the main preoccupation of the government was to fight poverty, ignorance and diseases through provision of the social amenities such as health and education services at an affordable cost. The world bank group report indicated that about half of Kenya's rural population was below poverty line in 2019 (World Bank, 2020). In urban areas, approximately a million and a quarter person, that is 30% of the population was below poverty line. The age structure and the population growth rate continually pressure the government, communities and the non-governmental organizations to cope with the demand of supplementing the needs of healthcare, education and employment.

Although alleviation of poverty has been recognized as a key challenge in developing countries, evidence shows that poverty levels will elevate unless measures are taken by the government and non-governmental organizations to prevent this. Therefore, there's need to innovate strategies designed to eradicate poverty. Insurance is one way the poor can embrace to protect themselves from potential risks and shocks. Microinsurance can assist the low-income household's manage risks hence allowing them to maintain a sense of financial confidence even in the face of significant vulnerability (Ranabahu and Tanima, 2021).

Risk pooling and informal insurance schemes among the low-income population are not entirely new. Informal risk sharing schemes have been practiced around generations even in some of the most inaccessible places. However, these schemes have their set-backs since they are limited in their outreach and the benefits cover only a small portion of the loss. In micro insurance, the key aspect is to explore ways of significantly increasing the number of poor households that access insurance while enhancing the benefits. One major obstacle that hinders the performance of micro-insurance is the level of illiteracy among rural dwellers. Most targeted audience of micro-insurance do not understand the concept of insurance, let alone the terms and conditions of the contract, and are therefore, reluctant to pay in advance for the service they may not receive (Batinge and Jenkins, 2021). Along this line, Tomchinsky (2018) argued that educating consumers by creating awareness through the use of pictorial posters, local folk arts and street theatres might be useful to explain the mechanisms of micro-insurance. Against this background, thrust of this paper is to examine the role of micro-insurance in alleviating poverty.

Statement of the problem

Over the past few decades, alleviating poverty has emerged as one of the most pressing global issues. This is due to the widespread belief that poverty alleviation is the most direct route to a nation's sustained economic expansion. It is possible to trace anti-poverty initiatives back to earlier times in order to better understand their origins. The majority of the time, impoverished people in rural areas are not reflected in macroeconomic policies, which is one reason why poverty is growing at such a rapid rate. Research on the topic is unavoidable given the significant contribution made by microfinance organizations to the alleviation of poverty given the previous sentence.

There is an urgent requirement for the development of novel approaches to the alleviation of poverty. Insurance is one method that people with lower incomes can use to protect themselves from unforeseen dangers and surprises. Micro insurance can provide assistance to low-income households in the management of risks, so enabling these households to maintain a sense of financial confidence in spite of the enormous vulnerability they experience (Ranabahu and Tanima, 2021). It is for this reason that a research on the influence that access to micro insurance can have on the alleviation of poverty is something that should be considered.

LITERATURE REVIEW

Many researchers suggest that access to insurance services is an important strategy for poverty alleviation. However, the poor are often ignored or inadequately serviced by the private insurance market and social insurance schemes because the premiums are unaffordable. A specific type of insurance particularly developed to protect the poor is microinsurance. Microinsurance has the same technical apparatus as insurance but it focuses on providing the poor with opportunities to protect themselves against specific risks in exchange for affordable premiums (Hasim, 2018).

According to Churchill (2017) microinsurance is “a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the developing world´s low-income workers, especially those in the informal economy who tend to be underserved by mainstream commercial and social insurance schemes”

Hasim, (2018) evaluated micro-takaful (a form of micro-insurance) as a strategy towards poverty alleviation. This study considers microinsurance as a poverty alleviation tool, with particular emphasis on life insurance that helps mitigate risk and enables the poor to cope with various risks and vulnerabilities they are faced with. He revealed that it should also be noted that micro-takaful is not the sole solution for reducing poverty in Muslim countries, but one of the universal poverty alleviation tools or even provide effective social protection to the poor in the absence of appropriate government schemes.

A research study by Bukari et.al (2021) evaluated strategies for poverty reduction towards sustainable development and revealed that access to insurance is an important strategy for poverty alleviation. Additionally, a research by Batinge and Jenkins (2021) showed that not only are poor households aware of their vulnerability to risk, but they are willing to pay to protect against these risks. However, the poor are often ignored or inadequately serviced by the private insurance market and social insurance schemes because the premiums are unaffordable. Furthermore, Batinge and Jenkins (2021) suggested that providing aid in the form of insurance is far better off in providing social protection rather than allotment in cash. Improving access to insurance enables people living in poverty to improve their livelihoods and uplift themselves out of poverty.

Mhlanga (2021) conducted a research study on insurance and poverty alleviation. He noted that poor households face difficulty in generating regular and substantial income and are extremely vulnerable to economic, political and physical downturns It is therefore important that the poor are protected from the risks if not to directly alleviate poverty but at least to enable the benefits of other measures such as education, sanitation, employment opportunities, healthcare and nutrition to be realized.

Churchill (2017) conducted a study on evaluating the insuring the low-income market and suggested that there is need to continuously educate targeted low-income customers in order to create the market or demand for insurance. Due to low education levels and poor insurance product knowledge in low-income markets, insurers should constantly provide information about their products (Gehrke, 2018). The microinsurance concept is fairly new in emerging markets. Aggressive awareness campaigns about the importance of microinsurance could be spearheaded by the industry demonstrating the benefits of the service.

Accordingly, Banerjee (2019) carried out a study evaluating poverty alleviation through SHG-Corporate Partnership. He opined that many of the world’s poor are caught in a vicious cycle of poverty with little hope of ever break out. For them micro-insurance may provide an innovative way to combat poverty. Still in its infancy, micro insurance represents a second wave, after microfinance, of development strategies aimed at alleviating poverty and promoting self-sufficiency. Along this line Tomchinsky (2018) identified four distinct roles that micro-insurance play. Firstly, financial inclusion which is one of the several risk-management tools to protect the most vulnerable populations and help them to retail the assets they work so hard to build. Secondly, social protection which complement or substitute for government protection mechanisms such as health insurance and pensions for low income workers. Thirdly, commercial where new market for commercial sector which has relatively low penetration worldwide and needs to expand to grow. Fourthly, macroeconomic, since insurance is a vital precondition for economic development, as it provides a reliable mechanism for individuals, institutions and governments to assume risks.

Sauzande (2020) conducted a study evaluating role of microinsurance for natural disaster risks in developing countries. The study suggested that micro-insurance can break the "cycle of poverty" by providing low-income households, business and farmers with access to post disaster liquidity, thus protect their livelihoods and providing for reconstruction. Therefore, insured households and firms are more credit worthy; these kinds of insurance can also promote investments in productive assets and higher risk yield crops. They emphasize that micro insurance can encourage investment in disaster prevention, if insurers offer lower premiums to reward risk reducing behaviors. Thus, arguably, micro-insurance can be seen as effective risk-transfer mechanism and integral part of overall disaster risk management strategy. Alhassan and Magazi (2021) observed that micro-insurance is considered to play important role of financing tool to protect poor from adverse financial consequence in the event of sicknesses or ill health. CHINZORIG (2018) noted that micro-insurance enables credit and savings to be used more productively on generating employment opportunities hence provide a chance for the poor to be employed thereby earn a substantial income.

Gabrah et al., (2020) carried out a research study to investigate, explore and assess the role of micro-insurance in poverty reduction. The data used in this study was collected via a questionnaire and an in-depth interview. Findings of the study identified that micro-insurance provides financial support to the poor in the event of a disaster, social protection against disasters and shocks, savings, employment, and as well as enhances asset accumulation among clients. The study also found that the lack of innovative micro-insurance product, inadequate distribution channels, the lack of supportive micro-insurance legal framework, uncompetitive pricing of micro-insurance products, low government support in micro-insurance programs, low-income levels of respondents, the religious or cultural factors influence the demand of insurance products and low public trust are the factors that affect the demand of micro-insurance products. The study recommended that in order to increase patronage of micro-insurance product, development of innovative products, establishing processes that build trust in clients, instituting efficient service delivery channels, documentation should be simplified and the government should support micro-insurance products.

Solarin (2021) conducted a study that aimed at examining risks that low-income households face and strategic measures to mitigate them, and also assess demands for micro insurance among low income households and propose appropriate micro insurance products and mechanisms to relieve household poverty. An in-depth analysis used both secondary and primary data gathered through focus group, interviews, observation and documentary review. It was discovered that micro-insurance contributes positively to the lives of people in a way of handling their medical expenses though health insurance, accessing balanced diet, build modern houses, pay school fees and able to save. Micro-insurance was also found to be a powerful tool in protecting the poor and their assets from negative external shocks, compensating the effects of covariate shocks (e.g., natural disasters), they address gender-specific vulnerabilities, and freeing up household capital for investment in small enterprises. The study concluded that micro-insurance is a powerful addition to the social risk management product toolbox, and one that is flexible enough to be successfully implemented under a variety of institutional forms or frameworks.

Uddin et al., (2020) conducted a study to identify the impact of different microinsurance services to poverty reduction in Bangladesh. A structured questionnaire was used to collect the data from respondents in Barishal division, Bangladesh, and OLS regression was estimated to find out the impact of microinsurance services to the poverty reduction in Bangladesh. Results show that micro-credit mostly influences poverty reduction. Savings, micro-insurance, and training also influence the poverty reduction in Bangladesh. The implication of the study is that microinsurance service provisions should be more user-friendly for the customers so that the services can be advanced to the locals of the different regions of Bangladesh for facilitating the rapid economic growth. The study recommended that financial education may be introduced for a better understanding of microinsurance services collection, usage, and for return policy. Policymakers may also provide some guidelines to fight poverty for their rest of life.

METHODOLOGY

A desktop methodology was employed in the investigation. Unlike fieldwork, desk studies do not need travel to the field site(s). Desk research is less expensive than field research because the executive's time, phone charges, and directories are the key costs. These findings were drawn from previously published studies. This secondary material was easily accessible thanks to online journals and the library.

RESULTS

The findings were organized into a variety of research gap categories, including methodological gaps and knowledge gaps.

Knowledge Gaps

Studies by Bukari et.al (2021), Mhlanga (2021), Churchill (2017), Banerjee (2019), Sauzande (2020), Gabrah et al., (2020) and Solarin (2021), had a knowledge gap. In addition, they did not establish influence of micro insurance access on poverty alleviation. Therefore, the current study seeks to address these knowledge gaps.

Methodology gaps

Studies by Hasim, (2018), Bukari et.al (2021), Mhlanga (2021),Churchill (2017), Banerjee (2019), Sauzande (2020), Solarin (2021), Uddin et al., (2020) had methodological gap. In addition, all the mentioned studies did not employ desktop review methodology. Therefore, the current study seeks to address these methodology gaps.

CONCLUSION

Insurance in Less Developed Countries is very low and so their populace is much vulnerable whatever shock that may come their way. The resulting effect is enlarging the vicious circle of poverty to enable successful and smooth transmission from one generation to another. No doubts insurance can provide holistic way to combat poverty but only in advance economy. Micro-insurance however, can break the cycle of poverty" by providing low-income households, business and farmers with access to post disaster liquidity, thus protect their livelihoods and providing for reconstruction. Therefore, insured households and firms are more credit worthy; these kinds of insurance can also promote investments in productive assets and higher risk yield crops. As a result, this study evaluates the influence of micro-insurance in poverty alleviation. Microinsurance should be embraced by the government to enhance poverty alleviation in developing countries. The insurers should constantly provide information about their products so that the poor can become knowledgeable on the same. Aggressive awareness campaigns about the importance of micro insurance could be spearheaded by the industry demonstrating the benefits of the service.

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