MICROINSURANCE AND EDUCATION: HOW TO MAKE IT SUCCESS

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ABSTRACT: *Current research studies the effects of education on enhancing understanding of microinsurance among the poor. Because of low literacy among the poor, small number of population has developed acquaintance with insurance for which advance premium has been paid by microfinance clients. Logistic regression results depicted, as the level of education increases, more people understand the complexities of insurance and tend to join insurance for risk sharing. Once it has been established that understandability issues of microinsurance can be resolved through education / skills development trainings, a model has been proposed to impart such trainings as the provision of formal education is beyond the scope of microfinance institutions. Nevertheless, such provision will incur certain costs that should be borne by the third parties such as donors, INGOs and governments.*

Key Words: Microfinance, Microinsurance, Education, Financial literacy trainings, skills development NGOs, Social protection,

INTRODUCTION

Startling emergencies particularly covariates inflict serious consequences on the poor. Failure to deal with these shocks can place devastating consequences as the poor further slip down the poverty ladder. To overcome the negative impacts of shocks, the poor use various informal strategies e.g. consuming savings, borrowing from moneylenders, sale of assets and reducing food intake [1] However, these mechanisms provide partial support [2] and deficient benefits furnished by these strategies are inadequate to justify the cost for using these coping strategies. Additionally the costs of these strategies outweigh their benefits. Nonexistence of effective risk managing and coping mechanism lead to persistent poverty. Where informal strategies to deal with shocks become ineffective, formal financial institutions serving to eradicate poverty can provide services to the vulnerable communities that would increase the resistance against odd events. One such instrument is microinsurance that allows the poor to invest in more profitable ventures. Across the globe, the formal mechanism of insurance is employed to share and transfer risks to mitigate the impacts of shocks. However, underdevelopment of insurance markets in developing countries does not allow the poor to utilize insurance mechanism. The deficient formal insurance mechanism makes the poor risk averse and forces them to minimize their exposure by espousing livelihood strategies that bear minimum risk and return which is also a cause for the poverty [3]. Uninsured risk not only push the poor households into poverty, but also perpetuate their impoverishment by reducing opportunities for escaping poverty [4] that can bring transient poverty owing to increased expenses [5]. Poverty and vulnerability are two different sides of same coin and it is difficult to deal with only one [2]. However, formal system of insurance can disentangle facets which are putting poverty and vulnerability together. Though there is no agreed definition of microinsurance available, for this paper, we regard microinsurance a tool that can protect the susceptible poor against the odd events. For this protection, the poor pay small amount of premium [6]. This premium can be paid by the poor directly or government can subsidize such premium payments that could allow the poor to confront unforeseen emergencies and ensure early recovery from the aftermaths of shocks [7]. Since MFIs do not offer insurance for earthquake, floods or other natural calamities and offer credit life insurance that provides cover for death or severe injury for loan, protection is referring to unexpected events that can create health problems or cause death [7].

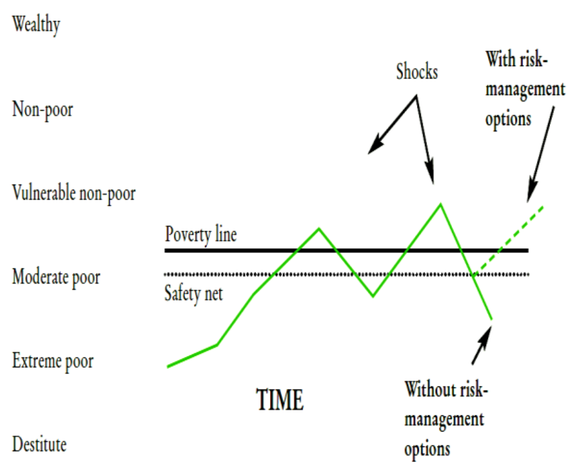


Figure 1: Microinsurance to Combat after Shocks of Disasters.

Considering the enormous potential clientele of microinsurance (approximate two billion), many commercial and non-commercial financial institutions entered into microinsurance arena. However, large numbers from these new microinsurance ventures did not mature and failed to achieve operational and financial stability [8]. Before one can develop a successful microinsurance initiative, it is important to determine why such ventures failed to attract large number of people towards them [6]. The objective of this paper is to examine the reasons for the low utilization of microinsurance and suggest alternative paths to dent risks that the poor face in fragile states. Hence, this paper attempts to fill this gap in the literature by investigating link between acceptability of microinsurance and education that can help to mitigate the negative impacts of odd events. The paper also explores more plausible ways to deliver microinsurance services. Hence, the paper makes a contribution in the literature as well as suggests an alternative policy for such provisions. The literature review is presented in the second section and methods in the third section. Section four discusses analysis and discussion followed by conclusion.

LITERATURE REVIEW

Since microinsurance is a fairly new concept that contains ambiguities, the exact demand of microinsurance still needs to find. Many insurers are not willing to serve the poor due to moral hazard problem [9]. However, there is consensus that nearly two billion population of the world can be a potential cliental of microinsurance. Large potential clientele and their willingness to utilize services have attracted the attention of international development organizations and they have contributed heavy funding for microinsurance ventures. For the above mentioned rationales, commercial insurance services providers also entered into the insurance market to cater the needs of large markets. However, huge funding from the international donor organizations, financial liberalization, commercial entrants and high propensity of the poor to risk could not develop demand for microinsurance among the poor. Existing products of microinsurance are supply driven rather than demand driven as they cater more to the needs of the insurance providers e.g. microcredit insurance [6]. Since these programs do not cater the needs of the poor, existing members of microinsurance programs exhibited less interest in renewing the insurance contract [10]. Others[11] state that "low usage and retention in public and private schemes alike reflect the lack of acceptance of these products among the target population". Usually it is argued that the main reason for not renewing existing microinsurance policies are misconception developed among the people due to false information provided by the sales agent. When selling insurance contract, agents do not provide complete or accurate information. [12] established insurance agents provided false information to the clients that create mistrust and reluctance among the people. Besides above mentioned reasons, people do not purchase insurance policy due to the complex insurance mechanism, lack of trust in the institution, level of wealth, agent's credibility, the frequency of payouts and liquidity constraints are important [11, 12] Deficient understanding of microinsurance clients' needs by the suppliers creates mistrust that does not allow enhancing the outreach of insurance[13]. Despite obvious importance of trust in the insurance contracts, there is "little systematic information is available about instruments and mechanisms to build trust [14]. Others [15] argued simplicity and inexpensiveness of insurance contract are trivial for its success. Lamentably, the concept of insurance is far more complex and when it comes to microinsurance its complexities even increase because of its potential clientele which are poor and do not understand basics of insurance. The current study argues the main reasons for misinformation are from demand side, not the supply side of microinsurance. Lack of understanding of the insurance mechanism provides an opportunity to the insurance agents to exploit the weak understanding of the poor. If people understand insurance and its related terms, they will make more informed decisions. "In an environment where subjects are unfamiliar with formal insurance products, it may be difficult for potential clients to assess the benefits of such an investment [10]. Such lack of understanding can lead a well planned insurance products that could cater the needs of the poor can meet failure. Unlike savings and loan services, the complexities involved in insurance makes it difficult for the poor to understand. [16] found 25 percent respondents did not purchase insurance due to understandability issues of the product. The benefits of insurance in terms of poor's welfare can only be yielded when they understand the mechanism behind insurance. Later [10] asserted that, "huge challenge for microinsurance schemes is to be understandable for potential and actual clients". [6] suggests more plausible research for enhancing the understanding of insurance. Once we will establish through the empirical research that the lack of understanding about the insurance is due to education, a model will be prescribed to provide insurance services to the poor. Hence this research will contribute in the policy making and literature. Here the question arises, how to develop an understanding of insurance among the people who are highly uneducated and vulnerable? Among many available options, the best is education / skill development training that can substantially boost the demand for microinsurance [17]. Theory of "financial education, behavior changes" prescribed various stages for changes in behavior towards insurance in the long-run. They argue individuals will only adopt insurance products when they understand risks and alternative tools for risk management [18]. The enhanced understanding of the various risks transferring mechanisms will increase knowledge of the insurance terms and they will accept it as an important beneficial tool. However, this behavioral change can only transpire in the long-run. Akter *et al*. (2008, p. 1) while studying the "Determinants of Participation in a Catastrophe Insurance Program" found "education positively influences participation for a newly offered risk mitigation instrument such as insurance". Qamar (2012) in his empirical research found a positive relationship between financial education and probability to join insurance program. The literature relating to low participation in the microinsurance programs reveals that numerous factors affect the participation in the microinsurance programs and these factors are very well researched in the context of developed countries whereas for "developing countries little evidence exist on the importance of financial literacy exists" (Olapade and Frölich, 2012, p. 3). Furthermore, the diverse contextual settings of the developing countries also make them unique case for such investigation. Same factor can influence differently the attitudes of target clients in different settings in developing or underdeveloped countries. Although significant research has discussed the lack of knowledge about insurance as the prime reason for non-participation, studies did not highlight the way financial education can be provided. We need to focus on under developed countries as majority of the potential market exist in these countries and less public social support is available. However, provision of skill development trainings poses many questions that need to be answered. For example who will bear the cost of such trainings? Who will provide the education? What kind of education will be provided? Will it be justifiable to expect from microfinance institutions to provide services which are beyond their scope. This study attempts o answer these questions. This paper addresses this gap in the literature and discusses the possible mechanisms for the provision of financial literacy that will enhance insurance participation among the people.

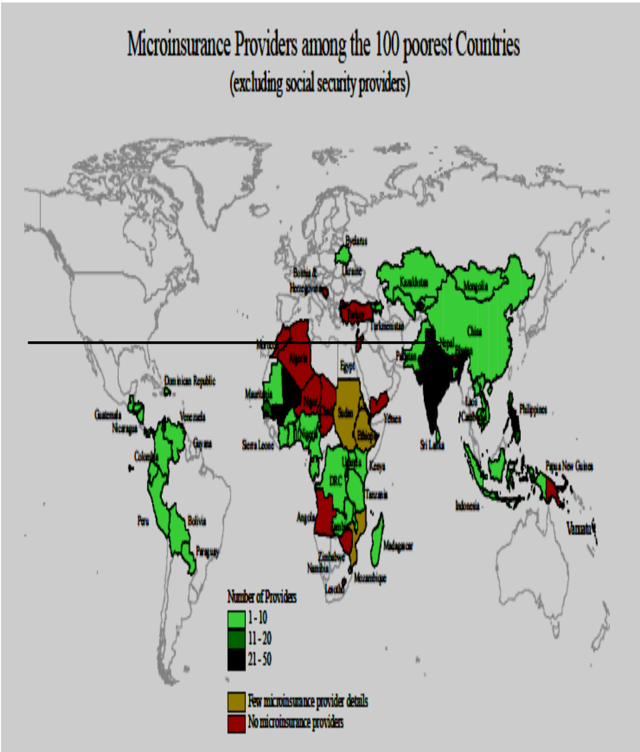


Figure 02: Availability of Microinsurance Among the 100 Poorest Countries [21]

Factors which determine the demand of microinsurance are risks that vulnerable people encounter. According to government estimates nearly 50% population of Pakistan's ever increasing population is classified as poor and lives below the poverty line and 45% is vulnerable [22].

Table 01: Poverty in Pakistan

Poverty Band	Percentage of Population (percent)	Estimated headcount (million)
Extremely Poor [<50% of Poverty line]	0.5	0.81
Ultra Poor [>50% and <75% of poverty line]	5.4	8.69
Poor [>75% and <100% of Poverty Line]	16.4	26.39
Vulnerable [>100% and <125% of poverty line]	20.5	32.99
Quasi Non-Poor [>125% and <200% of poverty line]	36.3	58.41
Non-Poor [>200% of poverty line]	20.9	33.63
Total Population	100	160.9

[23]

As evident from the figure 1, the non-availability of formal insurance mechanisms did not allow the poor to dig out of poverty and generates a new class of vulnerable poor by endangering the livelihood earnings. Thus, provision of formal microinsurance to the vulnerable poor can help to eradicate 80% poverty in Pakistan. The table 01 reflects the potential microinsurance market in Pakistan.

Though the supply of microinsurance is on the rise, still huge demand is either mot met or population is not utilizing such services. Although new institutions are being established, only few are willing to provide insurance services to greater number of vulnerable. This is evident in case of Pakistan where 2.34 million are utilizing microinsurance from estimated 80 million potential markets [24]. It is important to mention that large numbers of these policyholders hold compulsory credit microinsurance that provides cover for the microcredit only. The market for microinsurance in Pakistan remains severely underdeveloped due to the lack of awareness about the potential benefits of microinsurance. Despite obvious potential, there is great disparity between demand and supply of microinsurance, this situation requires actions from government and private sector organizations to enhance understanding of microinsurance through financial education which is also the purpose of this research.

Table02: Outreach of Microfinance in Pakistan

Type of MFP	Insts Offering MI	Total MFP's	Proportin offering %age	No. of Policy Holder	Proportion split (%age)
MFB	4	6	67	742,145	30
MFI	5	9	56	592,879	24
RSP	4	5	80	959,398	39
Other	4	8	50	145,468	6
Total	**17**	**28**	**61**	**2,439,890**	**100**

Introduction to the Study Area

This research was carried out in tehsil Jampur of district Rajanpur which is situated in the south of Punjab province of Pakistan and is the largest tehsil (sub-district) in district with 19 union councils. Based on 1998 census, the projected population of Jampur in 2013 is around 0.70 million. Nearly 86% population in the study area lives in rural areas and earn livelihoods from agriculture. Furthermore, according to [25] 80% population is poor and further 10% as extremely poor. Hence, around 90% population of the study is living below the poverty line. Since promulgation of microfinance ordinance (2001), microfinance is expanding and currently five-thousand people are utilizing such services in the study area.

METHODS AND POPULATION

The study entails triangulations of methods where qualitative and quantitative techniques are employed to support each other. The logistic regression was employed to predict the probability of being into one of two dependent variable categories. These quantitative findings were endorsed and explained with the help of qualitative data. Interview excerpts of the participants were also incorporated to increase the understanding of findings. Based on Yamane sampling technique, a sample of 370 respondents was determined for the survey from the 5000 microfinance clients. Study area was divided into 19 strata and the sample of 370 was evenly distributed among the 19 strata which approximate 19 respondents in each union council. However, 15 strata were selected for the study due to security issues as it was not safe to travel to those parts of the study area which reduced the sample size to 290 respondents. Since some respondents were not available or refused to participate in the survey, final sample size was 250. Hence, 17 respondents were randomly selected from every stratum from the MFIs list. If a selected respondent was inaccessible or refused to participate in the research, he was asked to refer a member of microfinance program in his/her neighborhood. A close ended questionnaire was used to collect data from 250 respondents and to find out the explanations for the low spread of microinsurance in the study area.

ANALYSIS AND DISCUSSION

The sole public sector entity providing insurance in the area particularly related with life insurance is State Life Insurance (SLIC) Pakistan. Since, SLIC provides life insurance in the urban areas, 90% population of the study which is classified as poor is not target clientele of the SLIC. The mean education of respondents is 1.50/5 where 1 reflects illiterate and 5 university graduate which show greater majorities of the respondents are clustering around illiterate category and no one is university graduate. Similarly, mean age of the respondents is 36-45 (see table 03 descriptive statistics). As mentioned earlier, though microinsurance is present in the study area, it is available to the microfinance clients and covers loan amount in case of death or permanent injury. Only 55.6% of the respondents are aware of microfinance for which insurance has already been paid at the time of loan disbursement. Remaining 44.4% are not aware of microinsurance for which insurance has been deducted in advance from the loan amount. These findings confirm previous findings from the literature [11, 20, 19]. Furthermore, [26] found that in India a greater majority of the microfinance clients are not aware of the microinsurance and respondents which are aware of compulsory are not compensated by the microinsurance organizations for various reasons which create distrust among the poor on the insurance mechanism. Likewise, 98% of the Grameen Bank clients do not know terms and conditions of the microfinance services provided by MFIs [27]. Widespread illiteracy is a prime reason for the poor that prohibits them from escaping poverty. “Educational achievement is negatively related with the poverty… as we go to the higher levels of education the chances of a person being non-poor increases” [28, p. 1].

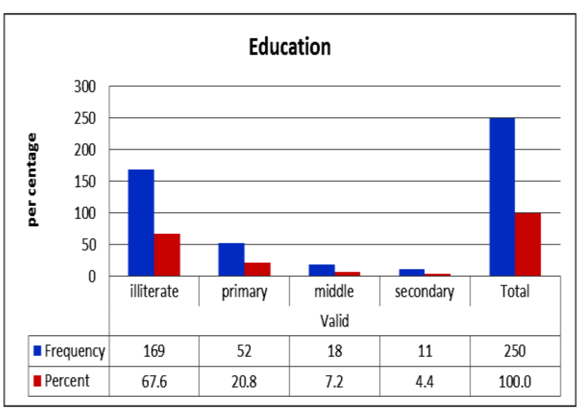


Figure 03: Education Level among the Research Participants

There are multiple reasons for the ignorance of clients towards compulsory insurance. While exploring the reasons for such widespread ignorance, both qualitative and quantitative data regarded illiteracy as major obstacle that decreases the understandability of microinsurance and this result in low participation in the insurance system by the poor. Among the respondents who were unaware of prepaid compulsory death or injury insurance (44.4% of sample), nearly 66% were illiterate. Only 4.4% appeared in higher secondary school examination. The increased level of education helped these respondents (4.4%) to develop enhanced understanding of existing financial services. Similarly, about 7% respondents held middle level (8^{th} grade pass) education. The data showed that, as the level of education increased, (92 per cent of respondents with a higher secondary education and 90 per cent of elementary education) the awareness regarding the compulsory insurance increased as well. The literate respondents were not only aware of the compulsory insurance bundled with microcredit, 20% of the respondents with higher secondary education also purchased voluntary life insurance, which reestablishes the impact of education on the decision to purchase insurance whereas none of the illiterate respondent purchased life insurance from the SLIC. These findings from the study reflect a strong association between education, and orientation towards the insurance. Further statistical analysis showed a statistically significant positive correlation ($P\text{-value} < 0.05$) between education and awareness regarding insurance. Hence, we say that higher level of education will enable the people to understand insurance mechanism and morepeople will enter into the mechanism of insurance. Furthermore, above mentioned respondents who knew about compulsory insurance (55.6%) held positive attitudes regarding insurance. They informed their fellows about its potential benefits and persuade them to be part of SLIC. During the interviews with MFI field officers, one of the FOs replied which has been reiterated by others as well; As the large number of our clients and population is uneducated and it is difficult for them (clients) to grasp the insurance mechanism. Some insurance agents have also deceived the poor people who are not educated as they did not provide correct information about insurance mechanism. We also face lots of hurdles when explaining insurance mechanism. It is essential to develop understanding of the insurance mechanism for its success otherwise its fate will met failure. **(MFI Field officer)**

Unavailability and fewer understanding of the insurance have developed feelings of fear among the poor for their livelihood security.

Table 03 below shows the descriptive statistics for the study.

Table 03: Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Respondents' age	250	1.00	5.00	3.1080[a]	.99816
Education	250	1.000	4.000	1.50400[c]	.841914
Gender	250	.00	1.00	.0400	.19635
Valid N (list wise)	250				

Diversifying their livelihoods aside by entering into non-agriculture activities, they are not willing to adopt new low-cost but high-return crops. Previous analysis established that formal education contributes towards enhanced understanding of the insurance mechanism. The findings are further explored as if this enhanced understanding of insurance mechanism through education can help people to join insurance program. Logistic regression is used to find association relationship between education and awareness about the compulsory insurance for which clients paid premium in advance. Dependent variable, knowledge of compulsory insurance as a dichotomous variable (Yes=1 and No = 0)**.** The table 04, "**Classification Table**", shows without any independent variables (level of education as it can influence the probability of joining the insurance); the most relevant supposition is to simply believe that all participants have insurance. By assuming so, the test has correctly classified 54.8 per cent of cases that have knowledge about insurance.

Table 04: Classification Table[a,b]

Observed			Predicted		
			Have Insurance		%age Correct
			No	Yes	
Step 0	Have insurance	**No**	0	113	.0
		Yes	0	137	100.0
	Overall %age				54.8

a. Constant is included in the model.

b. The cut value is .500

The table 05 provides the overall statistical connotation of the model which is evident from model statistics which is significant $p < .005$.

Table 05: Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	47.212	1	.000
	Block	47.212	1	.000
	Model	47.212	1	.000

Cox & Snell R-square and **Nagel kerke R-square** (*pseudo* R^2) values are used to emphasize variation in the dependent variable explicated by the independent variables. These values elucidate variation in the dependent variable that is awareness about insurance for which premium has been paid in advance. The variation in our dependent variable ranges from 17.0 per cent to 23.0 per cent, for the Cox & Snell R^2 and Nagel kerke R^2 *respectively (see table 06: model summary).* Since, Nagel kerke R^2 is a alteration of Cox & Snell R^2, the latter of which cannot achieve a value of 1. For this reason, Nagelkerke R^2 value is used which explains 23 per cent variation in the dependent variable.

Table 06: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	297.054[a]	.172	.230

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than 001.

"The cut value of 0.50 places a particular respondent in “Yes” category if the probability of a respondent being classified into the "Yes" is greater than 0.50, means they know about the insurance for which they have paid premium in advance. Otherwise, the respondent is placed in the "No" category which means, the respondents do not know about the compulsory insurance for which they have paid premium in advance. The *percentage accuracy* (table 04) showed that without independent variables 54.0 per cent of cases overall are correctly classified by the test. However, with the independent variables, the model correctly classified 69.6 per cent of cases overall (table 07 **Overall Percentage** row). Similarly, 51.8 per cent of participants who had awareness about the compulsory insurance were also predicted which is referred to as sensitivity (table 07 the "**Percentage Correct**" column in the "**Yes**" row of the observed categories. Likewise, 92 Per cent of the respondents who did not hold knowledge about the compulsory insurance were appropriatelyforeseenby our model (table 07**Percentage Correct** column with"**No**") which is termed as specifity. The *positive predictive valuefor the* current study is 87.65 per cent **(**100 x (71 ÷ (71 + 10)**)** that informs the readers about, of all cases predicted as having knowledge about insurance, 87.655 per cent were rightly predicted.

Table 07: Classification Table[a]

Observed			**Predicted**		
			Have Insurance		**%age Correct**
			No	**Yes**	
Step 1	Have insurance	**No**	103	10	91.2
		Yes	66	71	51.8
	Overall %age				69.6

a. The cut value is .500

A logistic regression was run to determine the effects of education on awareness about the microinsurance. The logistic model was statistically significant $\chi^2(1) = 47.12$, $p < .005$. The model explained 23.0 per cent of the variance in insurance awareness and correctly classified 69.0 per cent of the cases. Sensitivity was 51.8, specificity was 91.2, positive predictive value was 87.65 and negative predictive value was 60.94. Exp(B) value shows educated respondents are 4.17 moretimes to have awareness about the insurance than who are illiterate.

Table 08: Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	Education	1.429	.269	28.249	1	.000	4.174	2.464	7.069
	Constant	-1.776	.362	24.031	1	.000	.169		

a. Variable(s) entered on step 1: education.

Hence, in the light of above mentioned discussion we acknowledge the role education can play in increase the acceptability of microinsurance among the poor. The greater acceptability of microinsurance will also help to eliminate poverty and vulnerability through as people with greater level of education will embrace new methods of plantation and willing to adopt more profit earning livelihood activities.

What kind of Education or Training?

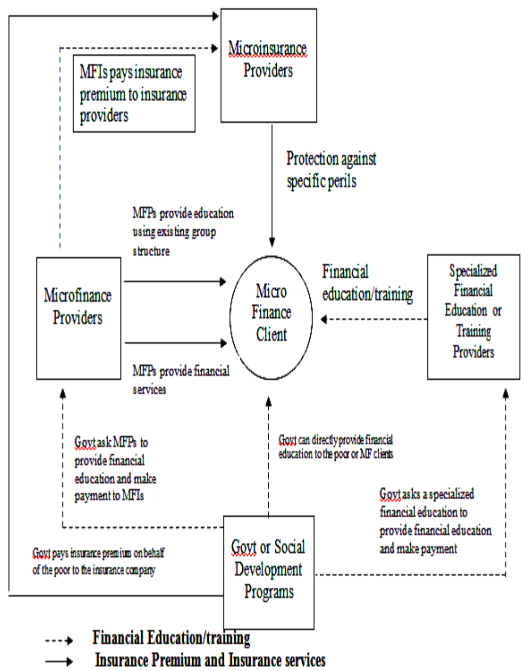
The data analysis exhibited that education has a significant part to play in the promotion of insurance products. At this stage it is more important to understand how and what kind of education can be imparted to the poor that will help to increase the understanding of microinsurance. One way to create awareness about microinsurance is through marketing programs. However, as majority of the potential clients do not understand the insurance or its mechanism, it will be difficult and expensive to attract large numbers of people towards insurance through marketing campaign (Cohen and Young, 2007). Creating awareness among the illiterate requires more than marketing campaigns. Increased understanding of microinsurance will help the vulnerable communities to better train themselves against adverse shocks and the only tool that can help to develop this is education.

Since majority of microfinance clients are already grown-up (mean age of MFIs clients is 36-45 years) it is difficult at this stage to impart formal education. Though it is difficult for the MFIs and beyond their objectives to impart formal education, these institutions can deliver financial literacy training to their customers. This will increase the understanding and also stimulate insurance demand among the poor. Supposedly, it might be costly for the MFIs to impart such financial training programs, but the current mechanism of microfinance that promotes proximate relationship between MFI and clients through regular meetings can be a cheap and valuable podium to initiate this proposed financial training program. For this purpose, the government can employ infrastructure of microfinance organizations or other dedicated institutions that can help to deliver proposed financial training programs to make people familiarize with microinsurance and other financial aspects. As the time will elapsed, the increased understanding of financial system will be beneficial at the micro as well as macro level since greater society will benefit from such initiatives. Based on the preliminary information, current study is proposing a model to provide financial education / training related services below.

In the proposed model, Taking into account diverse need of the potential microinsurance clients, current study involve five parties for the provision of financial education / training services. These are,

- **Microfinance existing and potential customers who** are/ will be recipients of financial and social interventions.
- **MFIs that** offer financial products to their clients including micro-insurance
- **The Government**will be a major stakeholder in the proposed model. Government will / can finance the financial literacy programs
- **Insurance providers** will assumes risk against payment premiums. The Premium payment can come from either government / development agencies and from the poor as well if they can afford.
- **Specialized education/training providers** will take the role of delivering training / education services to the poor against payment from the government or development agencies.
- The proposed model suggests three paths to deliver financial training to the poor.
- **Government makes arrangements for the provision of financial education**
- Despite rapid growth of microfinance over the last two decades, experts are divided on the scope of microfinance services. Experts who support the idea of social inclusion argue that microfinance institutions are not profit making organizations and they should provide financial and social services so that people can get maximum benefits from such initiatives.

Figure04: How to Provide Financial Education or Training: A Proposed Model



Whereas supporters of individualistic microfinance services believe, social services should be provided by the government and microfinance should solely focus on financial services. It is the government's responsibility to provide any other services besides financial. Hence, commercial MFIs are reluctant to provide social services. In such situations, government should take lead by providing social services to the poor.

Dedicated financial training organizations

These organizations have advanced their proficiency in the delivery of monetarist training programs and actively delivering training services to different groups in the society. Government can hire the services of these organizations for the delivery of training programs to the poor or MFIs clients. These institutions will utilize the existing structure such as social groups of MFIs for the provision of financial education or training.

RECOMMENDATIONS

The research found a potential role of education in increasing the awareness of insurance. Education can increase the poor's capacity to deal with disasters as more understandable information will be available once the poor understand insurance mechanism. This will also increase the economic opportunities available to the poor. Though offering proper school training is expensive and aspiring, the effective system of MFIs offers to train uneducated microfinance clients. Thus, it is suggested that the concerned authorities in the government should patronage microfinance institutions to disseminate knowledge. Government should also ensure that microfinance institutions include financial literacy programs with their other financial products to effectively achieve social wellbeing of the poor. Enhanced literacy will also be valuable in the socioeconomic growth of the society.

Microfinance institutions in Pakistan are providing mainly credit services only, whereas the great majority of respondents are willing and able to utilize insurance schemes. Besides compulsory death/disability, it is strongly recommended that microfinance institutions in Pakistan should expand their product portfolio and offer insurance services for other risks such as health and loss of livelihoods. However, the expansion of microfinance product portfolio and inclusion of microinsurance will add to the existing high interest rates charged by microfinance institutions. This will make microfinance products inaccessible to the poor. In order to maximize the utility and accessibility of such services, future research should explore practical ways of reducing the costs of microfinance products and hence microinsurance premium. Likewise, researchers should find innovative microinsurance products that can serve the poor to deal with uncertainties.

CONCLUSION

Though availability of financial products can facilitate the under privileged to form assets and/or accumulate savings but escape from the clutches of poverty is not guaranteed until future poverty generated through emergencies is not catered through some mechanism. An unexpected catastrophe can impose serious consequences on the welfare of the poor and also government's efforts to tackle poverty. A system that can minimize the inauspicious impacts of the sudden happenings is indeed need of the time. This gap has been filled by the microinsurance. Microinsurance has the potential to minimize the negative effects of shocks. This potential has also been acknowledged and many microfinance institutions have made microinsurance part of their products. However, despite obvious potential many potential clients are not willing to utilize microinsurance services offered by diverse entities. When the reasons for low interest explored, it was emerged that people do not understand the concept and mechanism of insurance. In the absence of understandability, people have fewer willingness to adopt the system of insurance. Regrettably MF customers are not aware of the insurance services for which MFIs have charged advance premium. Lack of understanding of microinsurance does not allow them to reap the potential benefits of any insurance mechanism. Until understandability issues are not resolved it is quite difficult that an insurance product can be utilized by large numbers of people. Hence, we need to take steps to disseminate knowledge about the insurance products and its mechanism through financial literacy training programs. However, such provisions are expensive to offer and require funds which might not be available or even beyond the scope of microfinance institutions. Government and other development agencies can intervene by subsidizing insurance services and bearing the expenses related with delivery of education/training.

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