

A STUDY ON EVALUATING THE EFFECTIVENESS OF UPI-ENABLED FAIR PRICE SHOPS IN PROMOTING DIGITAL FINANCIAL INCLUSION IN TAMIL NADU

Mithuna R

Assistant Professor

Department of Commerce, Rathinam College of Arts & Science, Coimbatore, Tamil Nadu

J Ayisha Siddeeka

M. Com (CA)

Department of Commerce, Rathinam College of Arts and Science. Coimbatore, Tamil Nadu

1. ABSTRACT

Financial vulnerability among low-income communities in developing economies like India remains a persistent challenge, making access to insurance a critical necessity rather than a luxury. This study investigates the role of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) in promoting microinsurance awareness, adoption, and utilization among low-income communities in Coimbatore district, Tamil Nadu. Using a descriptive and analytical research design, primary data were collected from 150 respondents comprising 82 SHG members, 52 MFI clients, and 16 SHG leaders or MFI field officers through structured questionnaires. Stratified random sampling was employed across rural, semi-urban, and urban strata of the district. Statistical tools including percentage analysis, mean and standard deviation, Chi-Square tests, and One-Way ANOVA were applied using SPSS software.

The findings reveal that SHG meetings and MFI field officers are the primary sources of microinsurance information for 66.7% of respondents, confirming the indispensable intermediary role of these institutions. Despite this outreach, overall microinsurance enrollment stands at only 44.0%, with premium unaffordability (36.0%), limited awareness depth (19.3%), complex claim procedures (15.3%), and distrust of insurance companies (15.3%) identified as the primary barriers. Respondents across all demographic categories strongly agree that SHGs and MFIs are effective delivery channels for microinsurance (Mean = 2.02). However, statistical tests confirmed no significant differences in perception or enrollment rates across educational levels, geographic areas, or discussion frequency, suggesting that barriers to adoption are systemic rather than demographic. The study concludes that while SHGs and MFIs are playing a positive intermediary role, sustained policy support, product affordability reforms, procedural simplification, and institutional capacity building are essential to achieve comprehensive microinsurance coverage among low-income communities in Coimbatore district.

Keywords: *Microinsurance, Self-Help Groups (SHGs), Microfinance Institutions (MFIs), Financial Inclusion, Coimbatore District, Low-Income Communities*

2. INTRODUCTION

Financial inclusion encompasses more than access to banking and credit it fundamentally requires protection against financial risks. Microinsurance, as a concept grounded in the broader microfinance movement, emerged from the recognition that low-income populations face disproportionate vulnerability to financial shocks arising from illness, death, natural disasters, and livelihood loss. The theoretical underpinning of this study draws from the Social Risk Management (SRM) framework proposed by Holzmann and Jorgensen (2001),

which positions microinsurance as a critical formal risk-management instrument that complements informal community-based coping mechanisms. SRM theory argues that while informal risk-sharing through groups provides partial protection, formal insurance products channelled through community institutions such as SHGs and MFIs offer more comprehensive and reliable coverage.

Additionally, Prahalad's (2004) Bottom of the Pyramid (BoP) framework provides an important lens for this study, arguing that the poorest segments of society represent an underserved but viable market for financial services, provided that products are redesigned to meet their specific needs, income capacities, and behavioral preferences. SHGs and MFIs, as last-mile delivery channels with embedded community trust, are theoretically positioned as the most effective intermediaries in bridging the BoP market gap in microinsurance.

3. REVIEW OF LITERATURE

The existing literature on microinsurance and community-based financial intermediation provides rich theoretical and empirical foundations for the present study. Morduch (1999) established that microfinance institutions serve as critical platforms for delivering integrated financial protection, laying the groundwork for bundled microinsurance delivery. Churchill (2006) emphasized that microinsurance products must be simple, affordable, and accessible to be effective among low-income populations, and that community organizations like SHGs are ideal distribution channels. Dror and Jacquier (1999) demonstrated that community-based health insurance models significantly reduce out-of-pocket expenditures among low-income households.

In the Indian context, Ranson et al. (2006) found that SHG-linked insurance programs significantly improved enrollment rates and awareness among rural women, while Sharma and Chamala (2003) recommended integrating insurance education into SHG meetings. McCord (2006) identified the partner-agent model where MFIs act as agents for insurance companies as the most effective microinsurance delivery mechanism. Kondra and Bhatt (2008) highlighted lack of awareness, complex claim procedures, and low trust as the primary barriers to microinsurance adoption in India. More recently, Venkatesh and Kumari (2012) found that SHGs in Tamil Nadu contributed significantly to financial literacy and insurance awareness, while Kumari and Rajan (2015) observed that actual utilization remained low despite moderate awareness, due to documentation complexity and delayed claim settlement. Mukherjee and Rao (2020) concluded that a collaborative ecosystem involving SHGs, MFIs, insurance companies, and government agencies is essential for sustainable microinsurance expansion in India.

A critical review of this literature reveals a significant research gap: while national and state-level studies are abundant, district-specific empirical evidence particularly from industrially diverse districts like Coimbatore remains scarce. This study seeks to bridge that gap by providing location-specific, field-based evidence on the dynamics of microinsurance promotion through SHGs and MFIs in Coimbatore district.

4. STATEMENT OF THE PROBLEM

Despite the growing emphasis on financial inclusion in India, a significant portion of low-income communities in Coimbatore district remains unprotected against financial risks due to limited access to insurance services. While Self-Help Groups and Microfinance Institutions have made remarkable progress in providing credit and savings facilities to the underprivileged, their role in promoting microinsurance awareness and accessibility remains inadequately explored. The lack of awareness about microinsurance products, coupled with

low literacy levels and inadequate outreach by formal insurance providers, has resulted in poor insurance penetration among economically weaker sections.

Although microinsurance is recognized as an essential tool for protecting low-income households from unexpected financial shocks such as illness, death, and natural disasters, its adoption and utilization among SHG members and MFI clients remain significantly low. Several factors including high premium perception, distrust in insurance mechanisms, complex claim procedures, and inadequate product knowledge contribute to poor enrolment and underutilization of available microinsurance schemes.

Furthermore, SHGs and MFIs operating in Coimbatore district face numerous challenges in effectively promoting microinsurance schemes, including inadequate training of group leaders, limited collaboration with insurance providers, regulatory constraints, and insufficient government support. At the same time, significant prospects exist such as the growing network of SHGs, increasing financial literacy, and supportive policy frameworks that can be leveraged to strengthen microinsurance delivery. However, these challenges and prospects have not been comprehensively studied in the context of Coimbatore district. Therefore, this study attempts to bridge this research gap by identifying the key obstacles and opportunities faced by SHGs and MFIs in promoting microinsurance, contributing to the development of more effective and inclusive microinsurance strategies.

5. OBJECTIVES OF THE STUDY

The study is guided by the following specific objectives:

- To examine the role of SHGs and MFIs in promoting microinsurance awareness and access among low-income communities in Coimbatore district.
- To analyse the extent of microinsurance adoption and utilization among SHG members and MFI clients in Coimbatore district.
- To identify the challenges and prospects faced by SHGs and MFIs in promoting microinsurance schemes in Coimbatore district.

6. RESEARCH METHODOLOGY

6.1 Research Design

The study adopts a Descriptive and Analytical Research Design. Descriptive research is used to characterize the study population and their microinsurance-related behaviour, while the analytical component examines relationships between variables and draws meaningful inferences. The study is empirical, field-based, and cross-sectional in nature, meaning data were collected at a single point in time to provide a snapshot of the current microinsurance scenario in Coimbatore district. Both quantitative and qualitative approaches are integrated: quantitative analysis employs statistical tools, while qualitative insights are drawn from open-ended responses and interview observations.

6.2 Data Collection Methodology

The study utilizes both Primary and Secondary Data. Primary data were collected directly from SHG members, MFI clients, SHG leaders, and MFI field officers through structured questionnaires and personal interviews conducted across Coimbatore district during 2024–2025. The questionnaire comprised 20 items covering demographic profile, microinsurance awareness, enrollment status, claim experience, and Likert-scale attitudinal statements. Secondary data were gathered from published sources including peer-reviewed journals,

government reports, NABARD annual reports, IRDAI publications, academic theses, and relevant websites to support the theoretical framework and review of literature.

6.3 Sampling Technique

Stratified Random Sampling was employed to ensure proportional and adequate representation from different categories of respondents. The district was stratified into three geographic strata rural, semi-urban, and urban areas and respondents were randomly selected from each stratum. Within each stratum, respondents were further categorized as SHG members, MFI clients, or institutional representatives (SHG leaders and MFI field officers), ensuring representativeness across all relevant segments of the study population.

6.4 Sample Size

A total sample size of 150 respondents was selected for the study, distributed as follows:

Table 1: Sample Size Distribution

Respondent Category	Planned	Actual
SHG Members	50	82
MFI Clients	50	52
SHG Leaders / MFI Field Officers	50	16
Total	150	150

6.5 Tools Used for Analysis

The collected data were analysed using both descriptive and inferential statistical tools with the assistance of SPSS (Statistical Package for Social Sciences). The following tools were applied:

- Percentage Analysis - To describe the demographic profile and general characteristics of respondents.
- Mean and Standard Deviation - To measure central tendency and variability of Likert-scale responses.
- Chi-Square Test - To examine the association between categorical variables such as area of residence and enrollment status, and discussion frequency and enrollment.
- One-Way ANOVA - To test significant differences in perception of SHG/MFI role across education groups.

7. RESULTS AND DISCUSSIONS

7.1 Demographic Profile of Respondents

The demographic analysis reveals that the study successfully captured a representative cross-section of the low-income community in Coimbatore district. Of the 150 respondents, 54.7% were SHG Members, 34.7% were MFI Clients, and 10.7% were SHG Leaders or MFI Field Officers, reflecting the dominant presence of SHGs in the district. The age distribution showed that the two middle working-age brackets 25–35 years (31.3%) and 36–45 years (31.3%) together constituted 62.7% of respondents, confirming that the most economically active segments of low-income communities are the primary beneficiaries of SHG and MFI services.

The educational profile is notable: secondary education (28.7%) was the most common level, followed by primary schooling (26.0%) and illiteracy (16.0%). Only 13.3% of respondents were graduates or above, highlighting the significant communication challenge in disseminating insurance concepts to this population. Regarding occupation, agriculture and daily wage labour dominated at 33.3%, followed by self-employed or small business operators (21.3%) and homemakers (20.7%). This occupational structure confirms the informal nature of livelihoods and the consequent exposure to financial risk. The income analysis reinforced the low-income character of the sample: 38.0% earned between ₹5,001 and ₹10,000 per month, and 76.0% earned below ₹15,000, placing them squarely within the target demographic for microinsurance. Geographically, 56.7% of respondents resided in rural areas, 22.7% in semi-urban areas, and 20.7% in urban areas.

7.2 Microinsurance Awareness and Information Sources

The awareness analysis reveals a nuanced picture. While 38.7% of respondents reported being fully aware of microinsurance and 35.3% had heard of it but were uncertain of the details, a significant 26.0% had never heard of microinsurance at all. This means that only one-third of the target population possesses functional knowledge of microinsurance, despite the presence of active SHGs and MFIs. The finding underscores that awareness campaigns have achieved breadth but not depth.

The identification of primary information sources validates the theoretical positioning of SHGs and MFIs as critical intermediaries. MFI field officers (33.3%) and SHG meetings (33.3%) were equally the dominant sources of microinsurance information, collectively accounting for 66.7% of all respondents. Government programs and media each accounted for 14.0%, while 5.3% had received no information whatsoever. This confirms that SHGs and MFIs are the primary and often the only channels through which low-income communities access insurance information. Among specific schemes, PMJJBY was the most recognized (29.3%), followed by PMSBY and the CM Health Insurance Scheme at 24.0% each, while 15.3% were unaware of any scheme.

Regarding the frequency of microinsurance discussion within SHG/MFI platforms, 28.0% of respondents reported frequent discussions and 37.3% occasional discussions, meaning 65.3% had experienced some exposure. However, 20.7% reported rare discussions and 14.0% none at all, indicating that nearly one-third of members receive inadequate microinsurance communication through these channels.

7.3 Microinsurance Enrollment and Utilization

The enrollment analysis reveals a critical gap between awareness and action. Only 44.0% of respondents (66 out of 150) were enrolled in any form of microinsurance, while the majority 56.0% remained unenrolled. This indicates that more than half of the target population, despite having access to SHG or MFI platforms, has not been converted from awareness to active protection.

Among enrolled respondents, life or death benefit insurance was the most prevalent type (26.7%), followed by health or medical insurance (23.3%) and accident insurance (21.3%). Crop or agricultural insurance was held by only 8.0% despite agriculture being the dominant occupation a significant product-need mismatch that demands targeted policy attention. Regarding enrollment channels, 38.0% enrolled through their SHG and 28.0% through an MFI field officer, confirming that SHGs and MFIs serve as the primary enrollment facilitators for 66.0% of insured respondents. Only 12.0% enrolled directly through an insurance company or government office.

Claim settlement experience data showed that 72.0% of respondents had not yet made any claim, reflecting either low utilization or low incidence of insured events during the study period. Among those who did claim, 12.0% experienced smooth settlement, 8.0% encountered delays and difficulties, and 8.0% had their claims rejected. The 16.0% who faced adverse claim experiences represent a significant trust risk for future enrollment and retention.

8. STATISTICAL TEST RESULTS

Three inferential statistical tests were conducted to examine relationships and differences in the data.

Chi-Square Test 1 - Discussion Frequency and Enrollment: The cross-tabulation of SHG/MFI microinsurance discussion frequency against enrollment status yielded a Chi-Square value with a p-value of 0.903 (> 0.05), leading to acceptance of the null hypothesis. There is no statistically significant association between how frequently microinsurance is discussed in SHG/MFI meetings and whether members are actually enrolled. Enrollment rates were relatively consistent across all discussion frequency categories 42.9% among frequent discussions, 41.1% occasional, 48.4% rare, and 47.6% never. This suggests that discussion frequency alone does not drive enrollment; other structural factors such as premium affordability and procedural clarity are more determinative.

Chi-Square Test 2 - Area of Residence and Enrollment: Testing the association between geographic area (rural, semi-urban, urban) and enrollment status yielded a Chi-Square value of 4.488 with a p-value of 0.106 (> 0.05), confirming the null hypothesis. There is no statistically significant difference in microinsurance enrollment rates across rural, semi-urban, and urban areas of Coimbatore district. While rural respondents show higher absolute enrollment numbers, this is proportional to the larger rural sample size. This finding implies that barriers to microinsurance adoption are uniformly distributed across geographic settings and are not location-specific.

One-Way ANOVA - Education Level and SHG/MFI Role Perception: Testing whether educational attainment influences respondents' perception of SHG/MFI effectiveness in creating microinsurance awareness yielded an F-value of 0.611 with a p-value of 0.656 (> 0.05), confirming the null hypothesis. There is no statistically significant difference in perception across the five educational groups. Mean agreement scores ranged narrowly from 2.42 (Higher Secondary) to 2.77 (Primary), all indicative of general agreement. This finding is particularly significant it demonstrates that regardless of educational background, respondents uniformly recognise and value the awareness-creating role of SHGs and MFIs. Education, therefore, does not moderate the perceived value of these institutions as microinsurance intermediaries.

9. CONCLUSION

This study provides comprehensive empirical evidence on the role of Self-Help Groups and Microfinance Institutions as microinsurance intermediaries among low-income communities in Coimbatore district. The findings confirm that SHGs and MFIs occupy an indispensable position in the microinsurance ecosystem: they are the primary sources of insurance information for two-thirds of respondents, the dominant enrollment channels for 66.0% of insured members, and are perceived across all demographic groups as effective delivery channels and awareness creators. These institutions have leveraged their community embeddedness, trust networks, and regular interaction patterns to bring microinsurance within

the cognitive and institutional reach of populations that formal insurance channels have consistently failed to penetrate.

However, the study also exposes a significant gap between awareness and action. With only 44.0% of the sample enrolled, more than half of the target population remains unprotected — a gap that cannot be attributed to any single demographic variable. Statistical analysis confirms that barriers to enrollment are systemic and uniformly distributed: they are not concentrated in any particular educational group, geographic area, or discussion frequency bracket. This systemic nature of barriers demands systemic solutions. Premium affordability must be addressed through ultra-low-premium product design linked to SHG savings cycles. Procedural complexity must be simplified through single-page Tamil-language claim forms. Institutional capacity must be strengthened through structured training of SHG leaders and MFI field officers. And trust must be rebuilt through community-level success story dissemination and transparent claim settlement mechanisms.

Critically, the study reveals an acute product-need mismatch: crop and agricultural insurance most relevant to the dominant occupation is held by only 8.0% of respondents. This calls for urgent product-specific promotion campaigns targeting agricultural communities in rural Coimbatore. The neutral perception of premium affordability (Mean = 3.02) also signals that current microinsurance pricing remains borderline for this population, and that flexible, income-aligned premium payment mechanisms could be transformative.

Overall, this study concludes that SHGs and MFIs are necessary but not sufficient actors in achieving comprehensive microinsurance coverage. Their continued effectiveness requires coordinated support from NABARD, IRDAI, insurance companies, and the Government of Tamil Nadu in the form of enabling policies, product innovation, capacity investment, and continuous monitoring. With the right institutional ecosystem, the considerable social capital and community reach of SHGs and MFIs can be fully harnessed to deliver the financial protection that millions of low-income households in Coimbatore district and across India urgently need.

REFERENCES

Books

1. Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd ed.). New Age International Publishers.
2. Malhotra, N. K. (2010). *Marketing Research: An Applied Orientation* (6th ed.). Pearson Education.
3. Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8th ed.). Pearson Education.
4. Mishra, M. N. (2006). *Principles and Practices of Insurance*. S. Chand & Company Ltd.
5. Gupta, S. P. (2017). *Statistical Methods* (44th ed.). Sultan Chand & Sons.
6. Churchill, C., & Matul, M. (Eds.). (2012). *Protecting the Poor: A Microinsurance Compendium* (Vol. 2). International Labour Organization.
7. Prahalad, C. K. (2004). *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Wharton School Publishing.
8. Yunus, M. (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. PublicAffairs, New York.

9. Morduch, J. (2006). Microinsurance: The Next Revolution? In A. V. Banerjee et al. (Eds.), *Understanding Poverty* (pp. 337–356). Oxford University Press.
10. Akter, S., & Mallick, B. (2011). The Poverty-Vulnerability-Resilience Nexus: Evidence from Bangladesh. *Ecological Economics*, 96, 114–124.
11. Barnett, B. J., Barrett, C. B., & Skees, J. R. (2008). Poverty Traps and Index-Based Risk Transfer Products. *World Development*, 36(10), 1766–1785.
12. Churchill, C. (2007). Insuring the Low-Income Market: Challenges and Solutions for Commercial Insurers. *Geneva Papers on Risk and Insurance*, 32(3), 401–412.
13. Dror, D. M., & Jacquier, C. (1999). Micro-Insurance: Extending Health Insurance to the Excluded. *International Social Security Review*, 52(1), 71–97.
14. Dror, D. M., Radermacher, R., & Koren, R. (2007). Willingness to Pay for Health Insurance Among Rural and Poor Persons: Field Evidence from Seven Micro Health Insurance Units in India. *Health Policy*, 82(1), 12–27.
15. Holzmann, R., & Jorgensen, S. (2001). Social Risk Management: A New Conceptual Framework for Social Protection. *International Tax and Public Finance*, 8(4), 529–556.