Chapter – Two
Literature Review

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The review of various literatures related to concepts helps to constructs and defines the variables concerning in research study that helps in many ways. It's a pre-requisite for any research to plan and then systematically execute the work. It enables us to understand the amount of work done on the subject using various aspects of the variables and what are the recent findings? Also, to understand pros and cons is any. It allows to know that unalike relations between variables to be discovered. Moreover, it serves as foundation in formulating research objectives and resultant hypothesis along with deep knowledge regarding statistical analysis used critically.

The literature review is categorized in to four parts. **Part One** gains understanding on the complex nature and role of family in a social setting. **Part two** discusses about the impact analysis of only *micro credit and savings* service, containing some of the studies which concluded both favorable and unfavorable impact. **Part Three** includes research in the area of *micro insurance* services and last **Part four** provides a brief on research or knowledge gaps.

2.1. Family Structure

Family is primary social unit comprising parents and children, typically as a group, whether residing together or maybe not. *Family structure* gives circumstances for interactions and development of identity and self-respect that impact on development of social skills. The family composition perspective gives importance to family structure and the family process attitude emphasizes family processes.

Family structure and socio-economic wellbeing are related with life satisfaction in adulthood (Louis and Zhao, 2002). Greater family earning is positive associated with college attendance rates and educational expenses (Han *et. al.* 2003). Family structure has higher impact on household's economic improvement as compared to social or psychological factors (Williams *et. al.*2000).

Financial needs vary as a person move through the stages of life-cycle from being infant to adulthood, from work to marriage, family liabilities and retirement (Ledgerwood, Joanna *et. al.*, 2013). Financial exclusion is strongly influenced by age, with youth facing significant hurdles (Johnson and Arnold 2011). To be relevant, financial service providers must modify products, services, and delivery channels to accommodate differences in life-cycle and age. Also, gender issues in microfinance are more important since interventions are targeting more towards women.

Family Composition (Joint or Nuclear)

The *family structure* is conceptualized as the configuration of role, power and status, and relationships in the family. The *nuclear* type of family is the one, in which the group consists of a male, his wife and their children. In nuclear families, the concept is 'me my wife and my children' with no place for others. Kapadia KM (1966) has defined a *joint family* as; "they should dwell in the same house, take their meals and perform their worship together and enjoy property in common". Common residence and joint preparation of food as well as eating together were the external symbols of homogeneity of the family.

The Family Process Perspective (Education, Socio-Economic Status)

The family processes influence their well-being and these processes mediate the effects of family structure (Acock and Demo, 1994; Demo and Acock, 1988). The family processes are important for their relationship between every person in the family. Family structure, however, can have an impact on family processes. Different family structures are also likely to have different scores on various background variables and individual characteristics. The most important variation in resources across family structures is income.

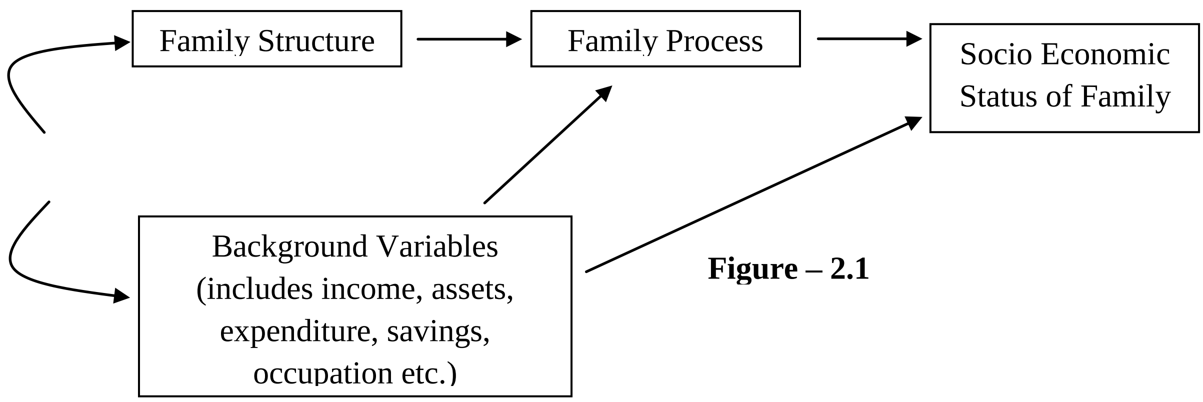

Figure – 2.1

A theoretical model **Figure – 2.1** could relate family structure and family process with other situational environment for the growth of income in family and socio-economic status.

2.2. Impact Assessment of Microfinance (Microcredit, Savings& Micro Insurance)

Impact assessment is viewed contextually by finding results for participants and non-participants due to implementation of the program; though changes can be because other factors also (Rossi and Freeman, 1989). At international level impact assessment of microfinance is related to Millennium Development Goals such as abolition of hunger and poverty, the endorsement of gender parity and women empowerment, decline in child transience, worldwide primary education and development in maternal fitness (Hannover, 2005).

The techniques used for impact assessments are purely quantitative which will give distorted results for decision making and hence qualitative techniques are better to use for impact assessment in considering influence of psychological and social issues involved (Howe and Eisenhart, 1989; Glewwe, 1990; Dudwick, 1995).The impact assessment is viewed as an executive instrument that helps in analysingMFIs commitment with poor people in their struggle against hunger, disease, exploitation and poverty" (Johnson and Rogaly, 2005).

2.2.1 Empirical Studies on the Impact of Microcredit and Savings

Ather Azim Khan Waqas Zaki Ijaz Hussain Bokhari (2017) studied the Impact of Microfinance on the Involvement of Women in Decision Making and Ownership. The primary data through questionnaire was collected from 303 women of which 178 were members and 125 were non-members. The data analysis incorporated two steps, firstly Mann-Whitney U tests is applied to check whether the two samples are significantly different or not and secondly by considering frequency measures to compare the involvement of women in decision making and having ownership of assets. Findings indicated that women members of microfinance institutions have significantly greater involvement in decision making and were better off in asset position. Furthermore, it concluded that microfinance has a significant positive impact on ownership of asset and involvement in decision making.

Issahaku Yakubu, Romanus Dinye, Daniel Buor, Wahab A. Iddrisu (2017)studied 'Determining and Forecasting Financial Inclusion in Northern Ghana Using Discriminant Analysis'.As there is a causal link between financial inclusion and poverty reduction, this paper aimed at estimating a discriminant function model to analyse the determinants of financial inclusion in Northern Ghana. Primary data elicited through survey questionnaires and a total of 400 households were surveyed. The estimated discriminant function model was at the 1% level of significance. The *findings* showed determinants of financial inclusion in Northern Ghana (in order of importance) are Age, Cost, Capability, Literacy, Distance, and Employment. Moreover, it also concluded the need for government and donors to make coordinated efforts towards considering these determinants to broaden financial inclusion and thereby reducing to poverty and income inequalities in the area.

Orazio Attanasio, Britta Augsburg, Ralph De Haas,Emla Fitzsimons, and Heike Harmgart (2015)in their paper 'The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia' aimed to study the impacts of joint liability microcredit program women centric and conducted randomizes field experiments in rural Mongolia. Findings showed the positive impact of group credits to small women entrepreneurs and household food consumption while not their working hours and incomes. On the other side, no significant poverty impact observed on individual-liability microcredit service and these was no deviations found in repayment rates between both types of microcredit.

Silvia Prina (2013), "Banking the poor via savings accounts - evidence from a field experiment"**.** Most the poor lack access to bank accounts and have to use costly informal savings mechanisms. Using a field experiment, researcher randomly gave access to simple bank accounts with no fees at local bank branches to a large sample of female household heads in Nepal. Results showed that there is untapped demand for savings accounts and that the poor do save. Access to the savings accounts increased monetary assets and total assets without crowding out other kinds of assets or savings institutions. Finally, financial access strongly increased households' investments in health and education.

Nasim Shah Shirazi, (2012)in their article "targeting and socio-economic impact of microfinance: a case study of Pakistan**"** aimed to quantify the targeting of the microfinance and its economic impact on the borrowers. The study has employed the Difference of the

Difference Approach to find the net effect of microfinance by employing data collected by Pakistan Poverty Alleviation Fund.

The *findings* showed that 30% of the borrowers were poor and 70% of the borrowers were non-poor. The impact on the poverty status was not found to be enormous. The income of the poor borrowers grew small by 2% during the study period. However, the consumption of the poor borrowers increased by 10%, which indicates that poor primarily borrow for smoothing their consumption. It was found that the net effect of microfinance of non-poor borrowers on the consumption was 6.71% and of income by was 6%. Results show that poor non-borrowers were better off compared to the poor borrowers. *Weakness* of the study was, attempts have been made to quantify the targeting of the microfinance and its economic impact on the borrowers, while excluding the social impact for the same.

Abedin Mohammad Zoynul Moula fahmida (2012) studied "Women empowerment through microcredit, a case study of Dinajpur, Bangladesh"**,** it aimed to study the role of microcredit in income generating activities of women and its impact on their socio-economic empowerment. Survey method was used as a technique of data collection and for data analysis descriptive as well as non-parametric test was used. The *findings* showed that most of the females who availed microcredit service got socioeconomic empowerment through acquiring the self-esteem, business skills, confidence level, decision-making power, etc. it also claimed that microcredit has significant impact on the uplift ofsocio-economic empowerment of the borrowers in Dinajpur district. *Weakness* of the study was, targeting of the microcredit and its socio-economic impact on only women borrowers, while excluding the micro insurance and savings services for the same.

M. Aruna and R. Jyothirmayi (2011) in their paper 'the role of microfinance in women empowerment: a study on the SHG Bank linkage program in Hyderabad, Andhra Pradesh' stated that there was a positive influence of microfinance on women empowerment. The primary data was collected from clients of micro sate branch of Hyderabad. The beneficiaries used loans productively revealed there was a significant difference in women empowerment measured through women empowerment index (WEI).

Sivchou Teng, Sokhak Prien, Nara Mao and Bunhor Leng (2011) investigated influence of microloans on local household economics in Prek Norin Commune by focusing on people who took a loan from MFIs. It aimed to find socio-economic factors of households using credit and the status of using microcredit on household economics. Primarydata was collected from were collected from 42 household heads through simple random sampling method from two villages (Prektachreng and Prek Krouch) in Prek Norin Commune, Ek Phnom district, Battambang province.

The *findings* revealed that those using microcredit have better living standards than before because of income and asset growth. In addition, using microcredit also creates more job opportunities and variety of economic activities, provides more jobs for women, and improves household education, women's status, and family welfare. It also reduces income inequality in the villages. However, microcredit has negative impacts on people's feeling because most people are more concerned about paying back the loan.*Weakness* of the study only focused on microcredit and its socio-economic impact on borrowers, while excluding the micro insurance and savings services for the same; since the sample size being too small.

Dupas and Robinson (2010) conducted A randomized fieldexperimentinwesternKenyainwhichtheyofferedarandomsampleofpoor daily income earners the chance to open an interest free savings accounts in a local village bank without depositing the required minimum balance of $10.By significantly lowering the barrier to open a saving account for some in the sample and not for others, the researchers could test the impact of having savingsaccountsonthoseinthetreatmentgroup.Theaccountspaidnointerestand charged withdrawal fees of closeto $0.40 and so offered a negative interest rate, but the accounts were the only formal savings option available in the area.

The data analysis used regression techniques and findings showed that though women and men differ widely in their usage behavior, gender is not as good a predictor of high levels of deposits as was being involved in savings Group (mostly women join the groups). Few months after Opening an account, women in the treatment group were investing 45% more per day in their businesses, had higher food and personal expenditures. Also, it was found that the women in the control group who did not receive accounts were often forced to withdraw working capital or even stop working in response to health shocks like any illness. This indicated that ownership of a savings account that helped the women buildup a cash cushion allowed them to purchase treatment promptly when struck by any illness without taking money out of their businesses.

However, the *weakness* of the study is its sample size comprised of only 279 households, all of whom were small entrepreneurs in the same town using the same bank branch in Western Kenya. There might be a possibility that the same results may not occur in other settings or when savings accounts are given to other livelihood segments.

Feroze and Chauhan (2010) in their research paper on 'Performance of Dairy Self-Help Groups (SHGs) in India: Principal Component Analysis (PCA) Approach', aimed to analyze the overall performance of Dairy SHGs in Haryana, India. The primary data was collected from 120 members of 60 such groups. *Findings* showed that nearly 48% SHGs planned to save 100 per month of which only 8.34 percent of these group members saved Rs. 75 per month. Also, 51% groups reported a rise in savings contribution. Furthermore, groups received average loan of nearly 2% from banks which was more than 4 times of the group savings and as recommended by NABARD and credit to saving ratio was high as 6:1 and low as 2:1. To analyze the overall performance of SHGs, composite performance Index was constructed, and it was found that majority of these SHGs were in average performance category.

Imai, Annim and Arun (2010) in their discussion paper series on 'Microfinance and household poverty reduction – new evidence from India' conducted a national level microfinance impact assessment and casted quantitative technique to know whether access to microfinance can reduce household poverty which was based on indexed based ranking indicator that show more than single dimensions of poverty. It relied on the cross-sectional data collected from 5,260 households across country who borrowed from a sample of 20 microfinance organizations from various regions in India in 2001. Treatment effects models were used to estimate the effect of MFIs productive loans on poverty reduction, taking into consideration endogenous binary treatment effects and sample selection bias related to access of MFIs. Then a robustness test of the model was done using the Propensity Score Matching.

In addition, to bit regression was applied to investigate the effect of the loan on poverty reduction. The study hypothesized that access to MFIs, productive loans and the loan amount helped reduce poverty. *Findings* showed that the multidimensional welfare indicator is significantly positively affected by MFIs productive loans after controlling for socio-economic characteristics. Although access to MFIs productive loans had poverty reducing effects, simple access to MFIs had a larger effect on poverty reduction in urban areas. On the other side, the effect of MFIs on poverty reduction was higher in rural than in urban areas when access to MFIs entails taking loans for productive purposes rather than other purposes. The model also proved that the higher the loan amount the better the improvement in living condition. *Weakness* of this study generates from potential unobservable determinants of access to MFIs.

Jothi (2010)in its research article 'Socio-economic impact of micro financing through self-help groups in Kanchipuram town', self-help groups in Kanchipuram town', *showed* vital contribution by SHGs in enhancing socio-economic lives of the rural people. Also, members who were not employed or partly employed before joining SHGs could materialize becoming fully employed in various economic activities and thus earning more.

Islam's (2009) in qualitative paper studied the effect of different products of microfinance organizations' considering trio of micro savings, microcredit and micro Insurance services individually on poverty and insecurity. *Finding*s of the study showed the complementarities between these products and how these complementarities can be utilized to triumph over the weaknesses of the programs. It also showed the indirect impact of microfinance on the socio-economic condition of the underprivileged people is more influential in having a more equitable endowment distribution, fighting poverty, and reducing insecurity compared to its narrow, direct financial impact. Furthermore, microfinance services had a significant positive impact on poverty alleviation and economic security. Poverty reduction stems from an equality distribution of endowments and microfinance can facilitate human and physical endowment distribution and allow households to access opportunities offered by the public and private sectors.

Toshio Kondo (2007) studied, "Impact of Microfinance on Rural Households in Philippines: A Case study from the special evaluation study on the effect of microfinance operation on poor rural household and the status of women". It surveyed 2276 households and 28MFIs. The *findings* indicated that majority of the existing clients, the new clients, and the non-participating households which are deemed qualified for the program were not poor as per the official definition. Also, majority of respondents were female i.e. 92% of which

10% were poor. It found positive impact of the program on the savings of respondents. The impact of availing of program loans on per capita income was found highly positive at level of 10%. It concluded that microfinance had a significant positive impact on economic status of the participants.

Report by Patricia Lee Devaney (June 2006) studied 'Micro savings Programs Assessing Demand and Impact, A Critical Review of the Literature, Financial Services Assessment' This *report provides* a critical literature review of the quantitative and qualitative studies exploring the demand for and impact of savings services for the poor. The *review reveals* a limited number of quantitative micro savings impact studies of varying scope and quality. The review identifies and analyses two types of micro savings demand studies: proprietary market research studies conducted by MFIs and studies conducted by microfinance researchers aimed at proving that the poor do save and that better designed savings services are needed. The report identifies and evaluates two types of high quality savings impact studies i.e. randomized experiments and natural experiments. It showcased the paucity of micro savings studies and there is lack of both savings and impact literature within the broader microfinance field.

Burgess and Pande (2005) evaluated 'impact of improved access to savings and credit facilities on the rural poor'. The study used natural experiment with theintroductionandeventualrepealofanIndianbankinglawrequiringIndianbankstobuildfourbranchesinruralareasforeveryonetheybuiltinurbanareas.The Program is found to increase formal sector credit and Savings through rural commercial bank branches, decrease poverty, and increase non-farm output. The authors credit the program with a 15% point drop in India's rural poverty Ratio between 1967 and 2000 (roughly half of the 30% fall in this ratio over that period). While study does suggest that the rural branching program had A positive effect on rural development, the high default rate on rural loans during this period and large subsidy on rural Interest rates indicate that this program acted as a substantial transfer of resources from urban to Rural areas as well as bringing greater financial access through more bank branches. Thus, the authors can't distinguish which of the impacts they measure come from the implicit resource transfer or from improved access to credit and/or savings services.

NABARD (2005) carried out study entitled, 'SHG - Bank Linkage Program in KBK Region in Orissa'**.** Data was collected from 997 members of 80 samples SHGs. The *findings* pf the study showed positive impact in transferring the unorganized rural mass to organized rural mass, discover their strength and courage to strive against all odds. It also revealed that the linkage with banks persuaded the positive attitude towards savings and investments among members. It estimated Rs. 346 as an average monthly saving of a SHG and Rs. 28 per month as an average monthly saving for a member. The average borrowing was estimated at Rs. 852 per members. While half of the members used for consumption purposes and about 19% used to repay the old debt to money lenders and outsiders and 25% of the borrowing members used their borrowing for commencing small venture.

As for as social impact is concerned, *study found* about 26% sample member could learn reading and writing the names after joining the SHG. 64430 persons in KBK regions could get timely and proper medical attentions with the financial support from the SHG. The SHG movement empowered the rural women with dignity, identification, recognition and respect. It helps them to come out of the conservative attitude.

W. Wood and H. Shon (2003) studied **"**Local Development through Microfinance Tools in Central America covering 884 clients from three countries of Central America i.e. Nicaragua, Guatemala and El Salvador. The study compared clients by categorizing new client who had just join, current client who were participating since a year, ex-client who left it and non-client. *Findings* showed that who participated in microcredit in Nicaragua, Guatemala, and EI Salvador, earned more money per day and were less poor. The Ex clients in all three countries on average had a DPCI (daily per capita income) of $ 1.21, current clients had $ 1.17 and the new clients reported $ 1.13, which showed that the ex-client was less poor than the current clients and the new clients i.e. ex-client was better off than the average person not participating in microfinance. This study highlighted the positive impact which attracts the poorest of the poor and helps them to become less poor by improving their economic conditions and financially independent.

Puhazhendi and Badatya studied (2002) studied 'Self Help Group bank linkage program for rural poor – an impact assessment', conducted in 3 eastern states of India i.e. Jharkhand Orissa and Chhattisgarh. Primary data was gathered from 115 members of 60 SHGs. *Findings* highlighted vital contribution of SHG-Bank Linkage Program in improving the living condition of the rural poor members. In context of social wellbeing studied showed improvement of members in confidence level, decision making and communications skills and autonomy. Furthermore, there was no change in asset level for 52% members while for 45% there had been rise in assets post membership and nearly 23% members had risen in net annual income post membership.

Puhazhendhi and Satyasai (2000) carried out the impact study of NABARD titled, "Microfinance for Rural People-An Impact Evaluation”. This study evaluated the impact of SHGs bank linkage program covering 560household members from 223 SHGs located in 11 states of India, aimed to find the changes in socioeconomic conditions of members between pre-and post SHG situation. *Findings* showed positive impact of SHGs on both account. The study estimated that average value of assets per household rose to Rs. 11,793 during the three-year period. Average net income per household from income generating activities where loan amounts were deployed, increased from Rs. 20,177 prior to group formation to Rs. 26,889. Employment increased by 17% and borrowing for income generation activities increased from 50% to 70%. An average savings per household increased three times from Rs. 440 to Rs. 1444.

Other positive impacts experienced by SHG members related to increase in self-worth, communication skills, and desire to protest social evils, improved response to problem situations and a decrease in family violence. The study findings also revealed that social impact was stronger in the case of groups promoted by NGOs than in groups promoted by banks. Thus, this study found that a standard of living index of sample households comprising of socioeconomic parameters rose for both economic and social parameters.

Aportela, (1999) studied ‘Effects of financial access on savings by low-income people”it relied on natural experiment based upon the expansion of a Mexican savings institute targeted to low-income people. The treatment group includes those towns that were included in the expansion and the control group includes those towns that were not included in the expansion. The study compares household data pre-and post-expansion for both treatment and control groups and employed difference-in-differences method of program evaluation. This study analyzes the impact of increasing access to financial services on the savings rate of poor. It used regression analysis to determine the characteristics most affecting savings rates and found that the expansion of a savings program increased the average savings rate of households by nearly 5%, of which poorest households increased saving more than 7%. It had no effect on the savings rate of high income households.

In contrast to these earlier mentioned studies, **Coleman (1999)** studied “Assessing the impact of microcredit programs in Northeast Thailand”**.** It adopted quasi experimental design with the use of survey method. It aimed to study impact of microcredit program on the poor households. The *findings* showed insignificant impact pertaining to outcomes such as physical assets, savings and expenditure.

Panjaitan Drioadisuryo, D. M. Rosintan and Kathleen Cloud (1999) ‘Gender, Self-Employment and Microcredit Program: an Indonesian case study’. Data was collected by 121women of project members and 94 women of control groups (whom credit was not yet offered) using interview method. *Findings* showed that the income of the project members who received the loans increased by 112%. Also, 54% of sample members could increase the variety and the quality of their products. About 90% of sample families’ had come out of the poverty line. Only 12 respondents reported decrease in their income. Moreover, female who received loans could increase their income substantially and took greater participation in decision-making, improved their families’ nutrition and children education.

H. Mahabub (1988) did an impact assessment on microfinance entitled ‘Credit for alleviation of rural poverty: the Grameen Bank in Bangladesh’. *Findings* highlighted that Grameen Bank clients’ average household earnings were 43% greater than the non-clients. These increased earningswere higher for the landless members, followed by marginal land owner members. Furthermore, it was found that Clients of Grameen bank were younger and better educated than that of non-clients. Study also found that the clients spent 6 times more on housing investment, 8% more on food and 13% more on clothing than that of non-clients. Thus, this study found a significant positive impact on economic condition of member clients of Grameen bank.

2.2.2. Microfinance credit life cycle

The structured approach and focus on inclusive growth as per RBI policies on selective credit control, priority sector lending norms, lending to weaker sections of the society, financial literacy initiatives to low-income clients by MFIs are is an alternative of formal sources. The following **Figure – 2.2** a shows the possible credit life cycle:

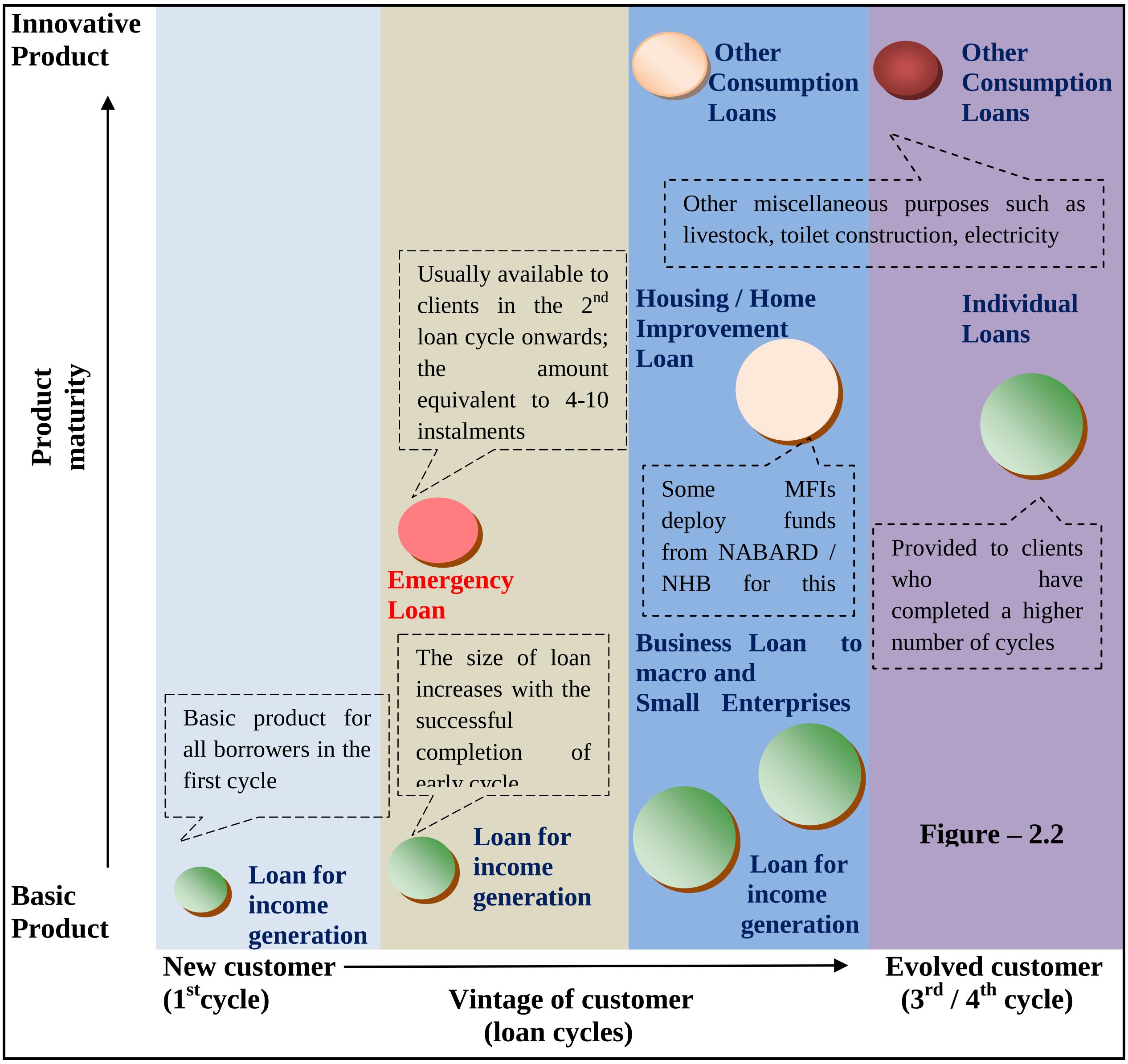

Figure – 2.2

Source: EY Analysis

2.2.3. Empirical Studies on Micro Insurance

Mohammed Ahmar Uddin (2017), in their paper entitled 'Micro insurance in India: Insurance literacy and demand", examined the influence of insurance literacy and demographics on the likely hood of having a micro-insurance policy. It conducted surveyed the National Capital Region (NCR), India. The study included gender, age, education, marital status, income and the type of employment as demographic variables. Data was analyzed using descriptive statistics and binary logistic regression analysis. The *findings* showed that insurance literacy score, income, employment and education increased the possibility of owning an insurance policy and it was found that the average insurance literacy was only 36%.

Ramalakshmi & Ramalingam (2014) in their research paper on 'A study on awareness about micro insurance with special reference to LIC of India aimed to analyses the awareness of policyholders about micro insurance products. *Findings* showed that there was awareness of about micro insurance among urban and rural population and agents played a vital role in enhancing awareness among policyholders.

N. Rao and S. Periyasamy (2014)in their paper 'Life Insurance Penetration in Rural Areas – Indian Perspective' highlighted presently in rural India Life Insurance Corporation of India which is a public sector unit was highly dominating. Private organizations' presence in the rural insurance market is absent. This research aimed to explore the causes for low penetration of private insurance companies in the rural market and for this Perception of the existing insurance policy holders and insurance agents in Bangalore rural and Kolar rural was studied. *Findings* showed that the existing insurance products were not designed for the rural market segment. There was huge lack of awareness and promotional activities. Also, there was huge lack of focus on building and promoting micro insurance products which were the fundamental barriers for the existing insurance organizations' in the Indian rural market.

Jean Philippe Platteau and Darwin Ugarte Ontiveros (2013) presented working paper on 'Understanding and Information Failures: Lessons from a Health Micro insurance Program in India'. It aimed to study various factors responsible for low take up and contract renewal rates seen in insurance market in poor countries, taking case of India. For this health micro insurance in two districts of Maharashtra state (Solapur and Osmanabad) was taken in consideration and primary data was collected from 535 subscriber households scattered over 54 villages. *Findings* showed lack of information and awareness of health insurance schemes accompanied by poor understanding of even insurance concept had resulted in low use of the insurance by poor households. Furthermore, it suggests that the lack of proper understanding is the core problem and is complex to overcome due to *large supply-driven information failure. Also, it was found that participation in previously constituted SHGs has passivity affected increasing both the purchase – take-up rate and renewal rate, which shows vital role of NGOs and SHGs that function as the base level.*

Tinsy Rose Tome and Selvam (2012)studied "micro insurance: illuminating the real challenges in India" This article exhibits the real challenges in taking up micro insurance among rural SHGs in Vellore District, Tamil Nadu India. Primary data was collected from respondents using questionnaire and interview method. It aimed to find out the real challenges involved in micro insurance using graphical representations and Chi Square Analysis. *Findings* showed that majority of the low-income members in Vellore District were illiterate and there was lack of understanding among them regarding various products and benefits offered under the micro insurance. The study emphasized the need for government contribution for providing services to these poor households and there exist lack of willingness on part of the insurance companies to cover much people in the low-income sector as it involves several risks.

Syed Abdul Hamid& Roberts & Paul Mosley (2011) in theirpaper 'Evaluating the Health Effects of Micro Health Insurance Placement: Evidence from Bangladesh' *showed* that there is a positive impact of micro health insurance in the reduction of poverty among rural households of Bangladesh. Micro health insurance has a significant beneficial effect on food sufficiency of poor and has a resulted improvement in the health status of poor rural households.

Seiro ITO And Hisaki KONO (2010) in their research paper 'Why is the take- up of microinsurance so low? evidence from a health insurance scheme in India' list three challenges in various insurance scheme- low take up rate, high claim rate and low renewal. The study aimed to investigate take-up decisions. Primary data was collected for Karnataka state, in terms of prospect theory, hyperbolic preference and adverse selection. The prospect theory assumed that individual have risk averse attitude while evaluating benefits but, in a risk, loving manner while considering losses. As insurance compensate losses covered, the risk takers attitude towards losses can explain cause of less take-up percentage, but no strong empirical support was found to this. People possessing hyperbolic preference were found to be more likely to buy insurance. Furthermore, households comprising more sick members were more prone to take up insurance.

IRDA Annual Report (2009-10) showed that the IRDA's regulations had allowed NGOs and SHGs to act as agents to insurance companies in marketing the micro insurance products and had also allowed both life and non-life insurers to promote combined micro insurance products. The report *findings* showed that the total premium income under micro insurance portfolio for the year 2009-10 was Rs.402 crore, which it nearly doubled from the previous year's premium income of Rs.206 crore. In this the major contribution was by LIC i.e. 94% of the total premium under micro insurance and the remaining 6% was contributed by the private insurers.

Venkata Ramana Rao (2008)in his article 'life insurance awareness in rural India: Micro Insurance lessons to learn and teach' the*findings* revealed that providing micro insurance service is a vital responsibility and there exist strong need to conduct awareness campaign. Micro insurance is offering real solutions to billions of rural poor that raises the awareness of micro insurance as a key issue in coming future.

Anuradha K. Rajivan (2007)on 'Building security for poor potential and prospects for micro insurance in India' human development report unit,the study finds that planned actual steps to address constraints like poverty will help express the insurability of the poor in the future and during that time it was said that micro insurance is on the edge of floating take off in India. The different stakeholders interest combined with the November 2005 directive of IRDA opinioned concrete support will enable all the stakeholders to play a more pro-active role. Nevertheless, as per insurance companies micro insurance is so far to be a proven business offer, so investment from their side is limited and efforts from few NGOs and MFIs have resulted in the introduction of micro insurance as an add-on to their existing micro credit for the rural poor.

Bhat, R. & Jain, N. (2006)in his working paper studied "Factoring Affecting the Demand for Health Insurance in a Micro Insurance Scheme, Gujarat, India". The study analyzes factors determining the demand for private health insurance in a micro insurance scheme setting by using a two-stage model as per the data collected at Anand district of Gujarat. Firstly, determining the factors which affect the insurance purchase decisions and secondly, studying factors which affect the amount of insurance purchase using a two-stage an estimation procedure.

Churchill, C. (2006) "Protecting the Poor: A Micro Insurance Compendium". International Labour Organization (ILO), CGAP Working Group on Micro insurance & Munich Re Foundation. The *book analyzes findings* of a 'Consultative Group to Assist the Poor (CGAP) Working Group on Micro insurance' research project that aimed to learn how to extend insurance to low-income households and identify good and bad practices. The project conducted a series of case studies of insurance companies, micro finance institutions (MFIs) and community-based insurance schemes from around the world, focusing on two risks - death and illness. The findings revealed that micro insurance is indeed viable, and even profitable under certain circumstances, but several difficulties must be overcome for it to succeed. The book is organized into six parts.

Part 1- defines micro insurance, Provides insights into the risk-management needs of low-income households. **Part 2 -** summarizes lessons about insurance linked to savings and credit products and explores the adaptation of insurance products to the needs of women and children. **Part 3-** explores micro insurance operations in detail, looking at product design, marketing, premium collection, etc. and examines performance ratios of micro insurance schemes. **Part 4 -** examines institutional arrangements for micro insurance delivery, such as the partner agent model, the community-based approach, etc. **Part 5 -** assesses the roles of key stakeholders, including donors, regulators, governments, insurers and reinsurers, and technical assistance providers. **Part 6 -** summarizes the strategies needed to achieve the right balance between coverage, costs and price, and provides an outlook on future developments in micro insurance.

Davignon, G. (2006) studied 'The Poor and their Risk. How to Alleviate Poverty by Reducing the Impact of Hazard, The Micro Insurance Promise'**.**This paper aims to study how to alleviate poverty by reducing the impact of hazard. It examines the origins of micro insurance and considers the case of BASIX, an Indian microfinance institution (MFI), as a micro insurance innovator. The *findings* showed that micro insurance does alleviate poverty by reducing the impact of hazard in rural areas. It protects the beneficiary form risk and minimize the bad debts by reducing loan default of MFIs. Moreover, it says that micro insurancenot a substitute to saving but rather complements savings and credit in protecting the poor against risk.

Ahuja, R. & Guha - Khasnobis, B. (2005) in their paper entitled 'Micro-Insurance in India: Trends and Strategies for Further Extension", Indian Council for Research on International Economic Relations (ICRIER), New Delhi, India, provides an overview of the prospects of micro insurance in India and recommends strategies for its expansion. It studied the developments on the *supply side of micro insurance* and observe that of the 80 listed insurance products of which 45 covered only a single risk. Also, private insurance companies had more products than public companies. The available products cover a wide range of risks and most of the health insurance products exclude pregnancy related illness etc. it also assessed the *developments on the demand side* of micro insurance and observe that 51 schemes were listed, with almost all being in the infant phase. Insurance is mainly demanded for Life and health insurance. It provides insights on the concept note of Insurance Regulatory and Development Authority (IRDA) on micro insurance. It details IRDA's plans of introducing supplementary provisions to promote its intermediate model.

Ahuja, R. & Jutting, J. (2004),in its paper entitled' Are the Poor Too Poor to Demand Health Insurance', looks at how institutional rigidities affect the demand for health insurance among the poor. *Findings* showed that lack of demand for insurance need not necessarily be the result of affordability. Institutional rigidities, such as credit or borrowing constraints, may prevent low-income households from demanding insurance which they could afford otherwise. For the low-income households (BPL) affordability of insurance is still a major issue. It also recommends the appropriate government intervention to create demand for insurance need not mean to subsidize premiums but instead government should remove institutional rigidities in labor, credit and product markets.

McCord, M. J,Isern, J. & Hashemi, S.M. (2001)studied 'Micro insurance-A Case Study of an Example of the Full-Service Model of Micro Insurance Provision Self-Employed Women's Association (SEWA)". Using case studies, this paper discusses the provision of insurance products to the poor by focusing on mechanisms of its distribution channel and challenges of the Full-Service model. It also provides the impact of grants on sustainability of insurance program. The *findings* showed that SEWA offered several insurance coverage such as life, disability, health, and property, under one premium with life coverage provided as an agent and the others provided under a full-service model. It revealed that the services of SEWA had helped beneficiaries to become independent and self-reliant. It suggested that as a single product, the SEWA insurance is too limited to make a significant impact. However, as a component of an integrated system within the broad SEWA structure, they are able to improve the overall effectiveness of their care for members. Thus, linking insurance to the SEWA Bank has produced important benefits.

2.3. Knowledge Gaps

In comparison with the available literature on credit, there are fewer studies on the savings and insurance behaviour of the households in developing counties. Most of these studies concentrate on one of loans, savings, or insurance, with the first having clear prominence and leaves out part of the story, if it looks at only one of the three elements of the so-called finance trinity, i.e. credit, savings, or insurance. Whereas savings were called the forgotten half of finance during the 1980s, one may consider insurance the forgotten third of finance during the 1990s (Zeller and Sharma 2002).Nevertheless, now there has been a slow transition towards a more holistic concept of microfinance as practitioners have come to realize that 'low- income households can profit through access to a broader set of financial services than just credit' (Armendariz and Murdoch 2005).

The above brief review of literature on the subject shows that many attempts have been made to draw the impact of microfinance. From the research studies presented above following can be observed that -

- A large majority of microfinance impact studies are mostly *microcredit centred* and mainly through the self-help group bank linkage program (SHG-BLP).
- Scholars have divergent views whether and how much is impact of Microfinance. There are certain studies foresaid have concluded that microfinance is apositive and effective measure of poverty reduction, improving welfare etc. and at the opposite end are studies which have argued the true purpose and reach of microfinance overall. Saying that employing microfinance strategy has in fact driven people into greater poverty and has weakened the position of poor even further, rather than improving it.
- None of the study adopts a comprehensive socio-economic impact assessment of MF program that is both credit and credit-plus services on clients.
- Available evidence from micro insurance implementations is much scarcer than for microcredit.
- Contributions on the outreach and impact of micro insurance in developing countries are still rare.

Hence, no consensus exists pertaining to impact of microfinance on beneficiaries and it is still a debatable issue. Dang in Gujarat is economically backward district and it seems that the perks of development have yet not reached at the bottom of the pyramid. Until now no study has been undertaken to assess the evidence of microfinance services (MF) which comprises not only Microcredit service but also Savings and Micro Insurance services, with an aim to analyses its impact on socio-economic improvement on rural household and evaluating challenges in implementation of MF services from the viewpoint of beneficiaries. Present study is aimed to fill up this gap. The present study considers holistic approach towards microfinance considering credit, savings, and insurance in a more systematic way and models the three alternatives as being simultaneously determined in a multivariate framework.