

## **A Study on Role of Insurance Companies in Driving Growth of MSMEs with Special Reference to ICICI Lombard Insurance Company.**

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**Abstract:** Micro, Small and medium-sized enterprises (MSMEs) are a key component of every economy. Studies fill the literature with the importance of MSMEs as employment generators, innovators, factors in the supply chains of larger enterprises, and important contributors to gross domestic product. Access to insurance can play a significant role in mitigating risks faced by poor households and micro, small, medium enterprises (MSMEs) by smoothing consumption, building assets, absorbing shocks, and managing risks associated with irregular and unpredictable income. Yet, standard insurance services are out of reach of the millions of the poor and disadvantaged. Proper risk management reduces the likelihood that risks will materialize and, if it does, insurance reduces or eliminates the financial impact. Insurance can make MSMEs resilient to shocks, making them more financially sound. Tailor-made regulation on insurance products that specifically target SMEs will contribute to increased uptake. For successful uptake of the MSME insurance, it is essential that products offered should add value and are affordable to targeted consumers. The main objective of this study was to analysis of the relationship between the contributions of insurance company and the growth of micro, small and medium enterprises in Kerala using ICICI Lombard Insurance Company. Also, the main objective is to study main factors that affects the growth of MSMEs, to evaluate the role of insurance companies to the progress of MSMEs and to examine the factors obstructing the purchase of insurance cover by MSME. The research was descriptive in nature involving quantitative methods which was administered through secondary data. The total sample comprised of 50 respondents of all the managers and employees of ICICI Lombard Insurance Company. Simple random sampling was used and administered Scheduled questionnaire to the sampled or selected employees. Findings revealed that innovation is a strong empirical evidence for fast growing MSMEs, competition has a great effect on MSMEs industry and credit remains a great challenge to the growth of MSMEs. Besides that, insurance companies mitigate risks and enhance loan acceptability by MSMEs sector with banks. It was concluded that improvement in business skills increases the performance of MSMEs. Also, ICICI Lombard Insurance Company need to have a fresh look at the scope and spectrum of services provided to MSMEs and have a better understanding on the scale of enterprise sector.

**Keywords:** MSMEs,mitigate risk,innovators

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## INTRODUCTION

MSME is a business that is privately owned and operated with a small number of employees and relatively moderate volume of sales. The definition of MSMEs varies from country to country depending on the level of development and the strength of the economy. The lower limit for small scale enterprises is set at between five and ten workers and the upper limit is set at between fifty and one hundred workers. Percentages and frequencies are also employed in the analysis. The research was descriptive in nature involving quantitative methods which was administered through secondary data. Findings revealed that innovation is a strong empirical evidence for fast growing MSMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of MSMEs. Besides that, insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. There are approximately 52,69,814 MSMEs currently in operation and they comprise over 90% of the private sector. They contribute to employment, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development. MSMEs and informal enterprises account for over 60% of Gross domestic product [GDP] and over 70% of total employment in low-income countries, while they contribute about 70% of Gross domestic product [GDP] and 95% of total employment in middle income countries. The location of these SMEs is mostly in urban areas with 80% located therein.

India's non-life insurance penetration is less than 1% of GDP vs world's close to 3%. MSME's contribution to the GDP is about 37%, and it is generating employment for over 11 crore people, with 75% male and 25% female. Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Karnataka, Bihar, Andhra Pradesh, Gujarat, Rajasthan, Madhya Pradesh. There are around 6.3 crore registered MSMEs across India which require insurance support and it is estimated that only 5% of which are registered. Thus, the market opportunity is close to \$ 40 billion.

With the help of right kind of insurance coverage, one can protect their company. The decision should be made keeping in mind various factors like nature of business, employee strength, location and financial capability of the company. Other products that are useful to the MSMEs are Sookshma Udyam Suraksha and Laghu Udyam Suraksha, both protecting the property of MSMEs and Workman Compensation. Crisis in cash flow or a liquidity crunch is one of the main concerns SMEs face while running a business. Every business should have working capital to sustain the functions of the company, pay its employees and grow in the market. Insurance helps in case of unprecedented financial risks and are usually mitigated with insurance coverage. SMEs also have to understand that they are highly dependent on third parties for their supply chain. Thus, any kind of interruption or financial risk related to . Due to the increased awareness, Indian insurers received 22,205 death claims worth Rs 1,644 crore during 2020-21 where the demise was due to COVID-19 against Rs 1,307 crore of premium collected. General and health insurers have, as of June 2021 received over 1.8 million claims amounting to Rs 24,000 crore.

### Objective of the Study

The main objective of the study on role of insurance companies in driving the growth of SMEs in India:

1. To examine the relationship between ICICI insurance and the MSMEs.
2. To assess the contribution of insurance companies to the growth of MSMEs

3. To investigate the factors inhibiting the purchase of insurance cover by MSME operators.

### **Scope of the Study**

Insurance helps the business owner mitigate the risk when he starts new ventures. Starting a new business is never easy, and the financial burden can be tremendous. Insurance companies understand this and mitigate the financial risk carried by the business owner. Insurance companies help absorb losses. Though the extent of absorption differs from policy to policy, one can claim a certain amount. The absorption of loss that may have incurred is one of the essential benefits of insurance. Having insurance increases the credibility of the business. The credibility helps the business owner avail of loans more quickly and helps in times of valuation of the company. An MSME insurance is extremely vital as it allows to protect all unforeseen and unfortunate situations. The right insurance can be the safety blanket that one can fall back upon in case of unexpected loss.

### **Research Methodology**

The research was descriptive and explanatory in nature involving quantitative methods which were administered through scheduled questionnaires. Primary data collected from the total sample of 50 respondents comprised of all the managers and employees of ICICI Insurance Company. Secondary data was obtained from the library materials, textbooks, internet and journals.

### **Literature Review**

Lama Assistant Professor(2018) Micro, Small and Medium Enterprises (MSMEs) have emerged as a highly vibrant and dynamic sector of the Indian economy over the last live decades and not only played crucial role in providing large employment opportunities at comparatively lower capital cost but also helped in industrialization of rural and backward areas, thereby reducing regional imbalances and assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes to the socioeconomic development of the country. It contributes significantly to India's GDP and export earnings besides meeting the social objectives including that or providing employment opportunities to millions or people across the country

(Skipper,2001) Insurance contributes to the promotion of financial stability, facilitation of trade and commerce, management of risk in an effective manner, mobilization of savings, allocation of capital in an effective way and also it acts as a complement of Government security programs.

(Browne and Kim 1993, Beck and Hebb 2003)Insurance can be broadly categorized as life insurance, non-life insurance and reinsurance. life insurance represents the long- term funds whereas the non-life insurance represents short -term funds. Reinsurance can be defined as security of other insurance company against loss. However, existing literatures show that insurance development significantly affect the economic growth

Ujjal Bhuyan (2016) MSMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032.

Dr. Ashim Kr. Das (2019) The MSMEs are the best representatives of economic activities. The development of MSME largely depends upon the availability of

financial services, including insurance, which is a crucial element of sustainability of businesses in the long run. The insurance sector along with other financial sectors needs to work effectively so as to remove uncertainties from the operation of business.

### **Theoretical Aspect of ICICI Insurance**

ICICI Lombard General Insurance Company Ltd. is one of the leading private sector general insurance company in India offering insurance coverage for motor, health, travel, home, student travel and more. Policies can be purchased and renewed online as well. ICICI Lombard General Insurance Company Limited is a general insurance company in India. It is engaged in general insurance, reinsurance, insurance claims management and investment management. The company has a Gross Written Premium (GWP) of ₹143.20 billion (FY 2021). The firm offers policy insurance and renewal through its intermediaries and website. It markets assurance products including Car Insurance, Health Insurance, International Travel Insurance, Overseas Student Travel Insurance, Two Wheeler Insurance, Home Insurance and Weather insurance. ICICI Lombard has 273 branches and 840 virtual offices spread across the nation. Established in 2001, ICICI Lombard General Insurance Company is a joint venture between ICICI Bank- India's second largest bank and Fairfax Financial Holdings Limited- a financial services company based in Toronto. ICICI Bank had 64% stake in the venture while Fairfax had 36% in the joint venture. ICICI Lombard General Insurance is the largest private sector general insurance company in India. ICICI Lombard's Gross Written Premium (GWP) was ₹143.2 billion in fiscal 2021 ICICI Lombard had the second highest industry market share of 8.30 percent in the general insurance market as of February 2022.

ICICI Bharat Sookshma Udyam Suraksha Policy provides insurance cover for physical loss or damage to, or destruction of, insured property relating to your business. This policy is for enterprises where the total value at risk across all insurable asset classes at one location does not exceed ₹ 5 Crore (Rupees Five Crore) at the policy commencement date.

### **ICICI Bharat Laghu Udyam Suraksha Policy**

The policy covers the insured property related to the business against insured peril at one location with the total value at risk above ₹ 5 Crore and upto ₹ 50 Crore. This include Buildings, Plant & Fixtures, Machinery, Stocks RM, and Finished Goods & Stock in process.

### **Standard Fire and Special Perils**

The policy covers the insured property related to the business against insured peril at one location with the total value at risk above ₹ 50 Crores. This include Buildings, Plant & Fixtures, Machinery, Stocks RM, and Finished Goods & Stock in process. Credit and finance for MSMEs: ICICI Lombard said its general insurance's suite of products will be offered across over 980 banking touchpoints of AU Small Finance Bank spread over 20 states and two union territories. ICICI Lombard General Insurance on Monday announced a bancassurance partnership with scheduled commercial bank AU Small Finance Bank to provide its customers access to the insurer's portfolio and enhance penetration across India. Bancassurance is referred to insurance products of an insurance company sold to its customers through banks with a tie-up between banks and the insurance company. Sanjeev Mantri, Executive Director, ICICI Lombard said the partnership will help further strengthen its distribution and unravel growth opportunities through the bank's wide network. "With our extensive range of customised solutions for risk management, we are confident

that we will be able to address varied customer segments across India.” The company has issued over 29.3 million policies, settled 2.3 million claims and has a Gross Written Premium (GWP) of Rs 185.62 billion in FY22. ICICI Lombard has 283 branches and 11,085 employees as on March 31, 2022. ICICI Lombard General Insurance Company on Monday said it will settle the MSME clients' admissible claims of up to Rs 5 lakh within 10 days of completing the claims survey. This marks the International MSME Day observed on June 27 to recognize the contribution of these industries.

The claims settlement process is a first-of-its-kind service to enable faster claim settlement for MSMEs and startups, ICICI Lombard said in a release. With this, now businesses shall receive the offer for settlement of their admissible property and marine claims of up to Rs 5 lakh within 10 working days of the claims survey.

ICICI Lombard sold 1.5 million (15 lakh) policies to MSMEs as of March 31, 2022. The insurer said it uses state-of-the-art AI and big data analytics to enable this faster decision-making process and aid claims payments. This facility will empower MSMEs to manage unwarranted situations arising from any mishaps. "MSMEs have been the backbone of Indian economy and have shown tremendous resilience even when faced with unprecedented challenges in the recent past," Sanjeev Mantri, ..

ICICI Lombard, one of India's leading private general insurance companies, saluted the Indian MSMEs on International MSME Day. The United Nations observes this day on June 27 every year to recognize the contribution of these industries. As a token of honour, the company has launched a multimedia campaign emphasizing that MSMEs are an integral part of the Indian economy and acknowledges their enduring spirit.

### **Data Analysis and Interpretation**

Data discusses by using Spearman Correlation Coefficient to find out the results revealed that innovation is a strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs. Besides that, insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks. However low income earned by SMEs, high premium cost and paperwork and experience and beliefs inhibit the purchase of insurance cover by SMEs. Nevertheless, there is a strong positive relationship between insurance companies and the growth of SMEs.

To study the relationship between two or more variables it is a basic norm to check whether the variables are related to each other. If the variables are not related among themselves, then there is no point in assuming any liner relationship between them and drawing any regression equation involving those variables will simply be spurious. Therefore, the study checked the basic relationship between variables by using Test of Correlation between two variables. The correlation test revealed that the two variables are positively and significantly correlated. The development of MSME has a strong positive correlation with the development of non-life insurance sector. It was expected as the development in non-life insurance sector will result in more selling of those products which are designed to protect the entrepreneurs at small as well as large business sector from any uncertainty in the process of business. Two variables MSME and Non-Life Insurance are involved in this study.. The data for same was extracted from Annual Reports from 2017-22 issued by Ministry of Micro, Small and Medium Enterprises, Govt. of India and is available in their website [www.msme.gov.in](http://www.msme.gov.in) .. The Risk protection service of non-life Insurance is a vital contribution towards encouraging the entrepreneurs to take up new ventures, explore

new market place, promote innovation, gear up production by increasing the marginal productivity of capital etc. The Entrepreneurs face a very challenging task of procuring financial support during their inception as well as during their incubation period. Finance is a difficult area to get access to and sometimes, it is available only through informal financial establishments. Many Entrepreneurs fail to stand up this tough phase led by financial crunch and die an early death, posing an adverse example for the others.

The non-life Insurance can play a role of savior in these scenarios. The financial houses are reluctant to advance financial support to the fresh entrepreneurs due to their uncertainty of operation and successful continuance, as Entrepreneurs initially operate in a medium or small scale and are easily affected by changes in the business environment. But, if that uncertainty of continuance of their enterprises can be removed by using Insurance protection, the financial houses will not be reluctant to provide financial support. The entrepreneurs can transfer the insurable risks to the Insurer for a payment of premium and be free to concentrate of business operation. The insurance protection against uncertainties will enable them to qualify for financial assistance provided by banks and other financial houses. This will promote commercial activities setting favourable example for others to start enterprises. The economic growth will also be accelerated due to increase level of production and commercial transactions.

In sum, extending accessible insurance product to the MSMEs should be the prime agenda for creating a supportive environment. Insurance sector lacks in providing tailored and customized products for MSME segment and this scenario needs to be changed with proactive participation from the former. It is critical for the insurance industry to understand the requirement of the MSME customers and provide appropriate options so that they can cater the need of the segment and the people working in it, giving them the confidence to grow further. The Govt. of India should also come forward with policies and regulations to bring the MSMEs under the insurance umbrella providing them some basic protections either at free of cost or at most affordable rate which will encourage the promotion of MSMEs and entrepreneurship in India paving the road to economic development.

### **Why MSMEs need better insurance**

Only 5% of SMEs are covered, suggesting a significant coverage gap. A large business could collapse under increasing pressure and fail to withstand a disaster. Therefore, reinsurers need to look at the insurance potential of SMEs and MSMEs and help them regain confidence and provide a safety net following a loss. The case study identified policy, management, industry, technology, information, competition, accidents, legal issues, market risks, and criminal activities as the greatest risks. The global economy's collapse, a virus sweeping the planet, severe blockages and a sluggish economy have delayed its development to a \$5 trillion economy by 2024-2025 by 2020.

Suppose the insurance sector's reach is extended to encompass these firms. In that case, the insurance industry may see substantial growth while also supporting these small businesses in maintaining their stability and helping MSME recover and become stronger. To safeguard the future of our customers, we need to simplify the whole customer experience. These include assessing, purchasing and applying for insurance benefits, all of which must be streamlined. This would help MSMEs secure their future and contribute even more to India's economic growth in the years ahead.

### **Findings of the Study:**

The major findings of this study have been derived from the analysis and presentation of data for this paper.

1. Based on the data analysis; insurance companies have contributed immensely to the growth of business enterprises through provision of financial security.
2. It has also been revealed that insurance companies play a positive role in stimulating activities in all areas of investment ranging from capital and real estate management in ICICI Insurance Company Limited.
3. It is evident from the study that under insurance of property is another major problem that limits the smoothness of insurance company towards business development in ICICI Insurance Company Limited.

### **CONCLUSION**

This study has succeeded in establishing that a direct or positive relationship exists between investment in insurance companies and business growth of ICICI Insurance Company Limited. This means that insurance companies immensely boost business enterprises and tremendously played a positive role in stimulating activities in all areas of investment ranging from capital and real estate management. Consequently, lingering problems affecting insurance companies include under insurance of property and continual changes in government policies and regulations, the government use policy actions to protect both the insurers and the insured in the country and encourages people to patronize insurance companies.

### **Suggestions:**

From the above analysis, the study was able to develop some recommendations: -

1. Insurance companies should ensure continuous contribution to business enterprises through financial security to foster economic growth of ICICI Insurance Company Limited.
2. It recommended that insurance companies should continue promoting their activities in the areas of insuring investment, capital accumulation and real estate management in ICICI insurance company limited.

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