

The Impact of Insurance Service on Risk Management of Small-scale Business in Rural Areas

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Insurance service is one of the key services, provided by microfinance institutions to their beneficiaries with micro credit such as property insurance and life insurance. Losses of the business and clients' health problems are reasons for financial losses for the MFI. Major health expenditures is a significant reason of risk for the world's poor that is not well insured. This study aims to provide an insight into the impact of insurance on risk management surrounding the small scale business in rural area. Data was gathered using Likert scale questionnaire with total of 100 small scale business owners who benefited under Samurdhi Micro Finance programs in Kegalle district. Collected data was analyzed by hypothesis test and descriptive analysis. The study reveals that losses of livelihood due to natural disasters and climate changes are affected in collapsing the small scale business sector in the recent past. Few clients use insurance as risk transfer mechanism in their business while majority are facing issues such as lack of wealth and risk management strategy, inadequate insurance protection, non-insurance, non-compliance and lack of awareness and information on this matter.

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