Perceptions of small and Medium Enterprises Operators Towards The Importance of Micro Insurance (A Case Study in The District of Bantul, Yogyakarta)

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Abstract

This is a joint research between Indonesian Insurance Institute (AAMAI) and Gunadarma University (UG) and it is fully funded by the Indonesian Insurance Institute. Micro, Small and Medium Enterprises (SMEs) plays a very important roles in Indonesian economic system. The role is evident from the number of business units and labor absorption and SMEs contribution to Gross Domestic Product (GDP). Aim of this research is to find out the perception of micro, small medium enterprises (SMEs) owners regarding micro insurance needs. Subject of this research is the owners or businessmen who are categorized into this category of SMEs in Bantul regency. The research objective is to probe perceptions about insurance needs, which can unravel information for the development of insurance, the perpetrators of SMEs, insurance companies and local governments in determining policies that can support and create productivity and product marketing of SMEs. The knowledge of insurance in the community varies quite widely, but is generally poor. Many people we interviewed had heard of insurance but the majority of them could not explain how it works. From the level of insured program show that 15

Keywords: perception, micro small and medium enterprises, micro-insurance

1 Background of Study

Micro, Small and Medium Enterprises (SMEs) plays a very important roles in Indonesian economic system. The role is evident from the number of business units and labor absorption and SMEs contribution to Gross Domestic Product (GDP) (Wijono, 2005). This reality is positioned as a sectors of SMEs strategic need attention and development in a consistent and sustainable. Although it has been a lot of financial policies and technical policies that have been made finance for the development of SMEs, but still there are various opinions and facts indicates that the empowerment of SMEs has not been optimal (Wijono, 2005; Roedjito, 2003; Retnadi, 2005; Husen, 2005; Anwar, 2005, Yustika, 2006).

According to Yustika (2006), Micro, Small and Medium Enterprises (SMEs) is the concrete embodiment of people's economic activities which rests the power of their own, decentralized, diverse, and a business group that is able to "buffer" when Indonesia's economy hit by the crisis. The function and role of MSEs is very important not only as sources of livelihood of people a lot but also provides direct employment for people whose level of knowledge and low skills (Husen, 2005). Micro enterprises in Indonesia have absorbed more than 70% of the workforce, while the formal sectors absorbs only 30% workforce (Samhadi, 2006; Rachbini, 2006; Raharjo, 2005).

Indonesia is a country of 238 million people, one of the largest populations in the world, with the largest population of Muslims. It is a country with vast opportunities and huge numbers of people working in self-employed activities, often
low-income. As in many other countries, the self-employed and others who make up the low-income population benefit when they have access to financial services. Typically, these services are savings and credit that they can access through numerous channels. But they find that credit and savings are not enough to support a family during a financial crisis. Study of Yustika (2006) found that bank financial institutions increasingly gained favor in SMEs community with the fact that the financial institution becomes a source of financing priority elected by the 418 (43.36%) of 964 respondents to the submission of the loan at a time when that will come.

Commonly, crises such as the death of a breadwinner or the hospitalization of a family member will not only move families to a lower economic level, but also leave them without the tools to recover from poverty. The need for insurance services is increasingly felt, both by individuals and companies in Indonesia. Insurance is a financial tool in the structure of domestic life, both in dealing with the underlying risks such as risk of death, risk of owned property. Likewise, companies in their activities face various risks that could disrupt the continuity of the company.

Insurance demand in Indonesia is strong to cover the risks that people are least prepared for and have insufficient means to manage. Such risks include serious illness, poor harvest, death in the family and social obligations. Education of children is a priority, and the potential micro insurance policy holders would like to ensure that an unforeseen shock or stress does not deprive their children. The number of insurers in Indonesia is significant, yet few have explored the low-income market. Consequently there is a critical need for capacity development, primarily in the areas of agent training and market education. This could expand opportunities and lead to market-based tools to assist the poor in securing their lives (Indonesia Insurance Report, DAI, 2010).

What happens when a poor family’s breadwinner dies, when a child in a disadvantaged household is hospitalized, or the home of a vulnerable family is destroyed by fire or natural disaster? Every serious illness, every accident and every natural disaster threatens the very existence of poor people and usually leads to deeper poverty. That’s where micro insurance comes in. Micro insurance is specifically designed for the protection of low-income people, with affordable insurance products to help them cope with and recover from common risks. It is a market-based mechanism that promises to support sustainable livelihoods by empowering people to adapt and withstand stress. Two-thirds of human beings suffering in the most extreme poverty are women. Often living within $1 per day, they are the most vulnerable (Indonesia Insurance Report, DAI 2010).

With 173 insurers in Indonesia, it was surprising that so few had seen the opportunities in the low-income market. Indeed, these insurers have hardly moved into this market at all. In 2003, the insurance density was $15 per capita, and the insurance penetration was a mere 1.49 percent of gross domestic product (GDP). The Asia averages are $180 and 7.5 percent, respectively. In Indonesia, there is much room for expansion. It was estimated that there should be an effective market of at least 12 million active policyholders plus their families in ten years. The growth is likely to be relatively slow at the start, increasing rapidly as insurers push out to new markets and develop more and better products. At the same time, market education and the demonstration effect will enhance the insurance demand.

There are top five risks that have identified in micro and SMEs area: (1) serious illness, (2) education of children, (3) poor harvest, (4) death of relatives and (5) social obligations. These risks correlated with the risks that people are least prepared for and have insufficient means to manage. This information enabled to identify any gaps that would lead to opportunities for SMEs perceptions.

Regardless this phenomenon and gap, aim of this research is to find out the perception of SMEs owners regarding micro insurance needs. Local Government is also expected to be able to explore potential of human resources in the field of Micro, Small and Medium Enterprises (SMEs). Another target is to improve the quality and participation in the development of SMEs, the creation of an entrepreneurial society (employers) and able to develop potential and existing resources. Owners or employers and employees can understand the needs of SMEs so that insurance in the production and marketing can be safe and comfortable because the risk is transferred to the insurance company.

Subject of this research is the owners or businessmen who are categorized into this category of SMEs in Bantul regency. Research location is in Bantul Regency Yogyakarta which is divided into 17 districts, 75 villages and 933 hamlets.

The research objective is to probe perceptions about insurance needs on SMEs in Bantul Regency, which can unravel information for the development of insurance, the perpetrators of SMEs, insurance companies and local governments in determining policies that can support and create productivity and product marketing of SMEs.

2 Theoretical Framework

2.1 Micro, Small and Medium Enterprises

Small business is the economic activity undertaken by individuals or households as well as by a small company which aims to produce goods or services for commercial and sales purposes and earn the
same as or less than one billion rupiah. Medium business is the economic activity undertaken by individuals or households as well as by a medium company which aims to produce goods or services for commercial and sales purposes and earn more than one billion rupiah (Central Bureau of Statistics, 2008).

In general, the characteristics of Small and Medium Enterprises in Indonesia are as follows: the owner as a manager. There is no separation between corporate management with owner management. Capital is prepared by one person or a particular group of people as the owners of capital. The product marketing is only at local area but there are SMEs which have a foreign market, in the form of exports to trading partner countries. The size of the company, both in terms of total assets, number of employees, and infrastructure are considered small.

Empowerment of Small and Medium Enterprises (SMEs) becomes very strategic, because of the large potential in mobilizing the community economic activities, and at the same time be a source of income for most people to improve their welfare. The strengths of SMEs, technically, operationally and management are power (able to adjust to the level of local community needs), the freedom to take action, and participation in running the business. The weaknesses are the lack of job specialization, have limited capital, lack of skilled labor.

2.2 Perception

Perception on an object is formed by roles of perceiver, target, and the situation. Perceivers obtain stimulation and do perceptual processing based on the needs, expectations, experience. Received stimulus is a target that can be in the form of products and services. In the service target, perceivers understand target based on warranty, empathy, reliability, responsiveness, and visibility. In understanding the target, the perceiver is also influenced by lighting, scent, sound, and temperature. Formation process of perception into an object is influenced from outside interference in the form of stereotyping, halo effect, first impressions, or jump to conclusions, which can cause a deviation that occurs in the perception of individuals. Image can be said as a way of looking at society, which has impression to company, products, or services. Image of an object can be said good, neutral, or bad. It depends on the individual's perception to the object.

Perception is a cognitive process that people use to understand the surrounding environment. According to Robbins (1993), Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. In general, there are 2 factors that influence the formation process of perception: (1) External factors, including the intensity, size, reversal, repetition, movement; (2) Factors from within, namely from the factor in a person who has perceptual processes including learning, motivation and personality.

According to Schiffman and Kanuk (2000) Perception is the process by which individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. Kotler and Armstrong (1996) showed that in similar circumstances, a person's perception of a product can vary, this is caused by the selection process for a variety of stimuli. Perception is associated with a person's behavior in deciding to what is desired. One way to determine consumer behavior is to analyze the consumer's perception to a product. By knowing the consumer's perception, it can identify strengths, weaknesses, opportunities and threats of a product.

2.3 Micro-Insurance

Micro insurance is a recognized concept in Indonesia. Several organizations offer micro insurance products, although the majority of these only 'offer' (more often require) credit life insurance to protect the portfolios of microfinance providers. Several large institutions are actively pursuing micro insurance products. An array of products are offered by member-owned insurers such as Bumiputera Life Insurance Company, the internationally-regulated insurance company American International Group (AIG) and the company created by the state-owned Bank Rakyat Indonesia, BRIngin Life Insurance Company. Additionally, micro insurance is often seen in informal risk-pooling mechanisms such as the Arisans. Although consolidated numbers of micro insurance policyholders over the years are not available, and indeed not maintained, it is clear that micro insurance is growing both in terms of number of covered lives and the array of products offered.

Insurance means guarantee, or in Dutch, we call it as “Verzekering” which means insured. In it, there are two parties involved: party who will hold the insurance and party who will get claim of insurance as a result of something that initially might not occur or can not be determined. People who insure are called “geassureerde”, and the insured are called ‘assureur’. According to the Book of Commercial Law Article 246, insurance is an agreement where the insured person bound, by accepting the premium, or provide reimbursement to him for any loss, damage or benefits that may be expected to continue for an event. Makarin (2003) concluded, the basic elements of insurance, the agreement between both parties agree and the premium amount of money that can be paid by the insured to the insurance company (insurer)

Theoretically, insurance law of large numbers means a mechanism for merging the risk of a large number of individuals and allows for risk sharing between space and time. However the feasibility of
a risk that can be insured depends on the following three factors (Mishra 1999):

1. The probability of an event that can be used as claim is measurable.
2. Events are not substantially related.
3. Damage caused by the event must be eligible for evaluation.

The insurance sector is responding to new opportunities for economic growth and social protection policy stimulated by the Government. The insurance sector formulated a draft document “Savings Mobilization toward National Prosperity” that recommends the design and availability of a broader range of long-term products. The life insurance business community recommends increasing savings mobilization through the insurance industry, particularly through pension funds and other long-term savings instruments, as one of the pillars of the economy. In this respect, they recommend that the Government to facilitate all economic sectors to play their appropriate roles and create a suitable environment through taxation policy, economic policy, public communication and leadership. The insurers would like the Government to encourage diversification to protect individual savings from the fortunes of different sectors. This initiative as outlined in the draft document demonstrates how the insurance sectors, through insurance products and pensions, can build on the objective to fulfill long-term financial protection for the society.

The following are three examples of products being proposed by the insurance sector:

- In the case of the death of the policyholder the survivors receive funds needed for mortgage liquidation and living expenses;
- Long-term savings for life insurance policy or annuity at the time of retirement;
- Long-term savings for educational purposes of a child in the event of premature death of the breadwinner.

Some in the insurance sector indicated an openness to designing micro-insurance products for low-income groups (e.g., AIG and Allianz AG). The products would include cover against sickness and other health emergencies in addition to the number of credit life products already offered to small and medium-size enterprise (SME) clients. Moreover, the insurance industry notes that there must be a commitment to assist the Government in expanding policies to improve and increase the insurance density in Indonesia. In this context, they are willing to support education and awareness-building, training workshops, customer mediation and capacity building for the non-banking financial sector.

3 Research Methods

This research method is using descriptive-qualitative method with a rationalistic approach. Qualitative-rationalistic method is based on a holistic approach in the form of a general concept under study at a particular object, then return the results obtained in the general concept. Qualitative research paradigm is inspired by the philosophy of rationalism which requires discussion holistically, systemically, and reveals the meaning behind the empirical facts. In the epistemology, methodological research with rationalistic approach requires the object under study is not released from its context, or at least learn the object with a special focus, but does not eliminate the context (Moleong, 2007). In addition, the data collection approach covers literary study, including books, media articles, and on-line literature.

Subject of this research is the owners or businessmen who are categorized into this category of SMEs in Bantul regency, with totally 250 respondents. Research location is in Bantul Regency Yogyakarta which is divided into 17 districts, 75 villages and 933 hamlets. The research objective is to probe perceptions about insurance needs on SMEs in Bantul Regency, which can unravel information for the development of insurance, the perpetrators of SMEs, insurance companies and local governments in determining policies that can support and create productivity and product marketing of SMEs.

4 Result & Analysis

4.1 Respondents Characteristics

Of 250 respondents (workers and owners of small and medium enterprises), 164 respondents with percentage of 65.6% are respondents with gender of men and 86 respondents with percentage of 34.4% are respondents with gender of female. Within 11 districts in Bantul regency, of 250 respondents, 33 respondents or 13.2% have status as the owner and 217 respondents or 86.8% have status as workers.

Viewed from the aspect of human resources in Bantul, most of them have workforce of high school graduates (39.1%). Age of employees who work for the first time is mostly between 17-20 years old. Average income of employees is ranging from 300 - 500 thousand IDR per month (47.5%). On average, the workers have been working at the company for 3-5 years. Most of the employees in Bantul are dominated by male workers graduated from high school (83.3%). Administrative work is dominated by female workers with an average income of 300-500 thousand IDR, and higher level of education.

Level of income with a small investment company has a tendency to gain huge profits, so that
Table 1: Worker Income Level SMEs

<table>
<thead>
<tr>
<th>Education</th>
<th>&lt;300.000 IDR</th>
<th>300.000-500.000 IDR</th>
<th>500.000-1 million IDR</th>
<th>1 million IDR</th>
<th>Total Amount</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>17</td>
<td>11</td>
<td>1</td>
<td>29</td>
<td>13.4</td>
<td></td>
</tr>
<tr>
<td>Junior HS</td>
<td>26</td>
<td>28</td>
<td>1</td>
<td>65</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Senior HS</td>
<td>22</td>
<td>44</td>
<td>18</td>
<td>183</td>
<td>39.1</td>
<td></td>
</tr>
<tr>
<td>College</td>
<td>5</td>
<td>7</td>
<td>14</td>
<td>24</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>13</td>
<td></td>
<td>14</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>103</td>
<td>34</td>
<td>1</td>
<td>217</td>
<td></td>
</tr>
<tr>
<td>Total (%)</td>
<td>36.4</td>
<td>47.5</td>
<td>15.7</td>
<td>0.4</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Income Level SMEs in Bantul

<table>
<thead>
<tr>
<th>Income entrepreneurs (Million rupiah)</th>
<th>The first year investment (percent)</th>
<th>Amount</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1 million IDR</td>
<td>&lt;1-2</td>
<td>22</td>
<td>56.7</td>
</tr>
<tr>
<td>1-2 million IDR</td>
<td>2-5-5</td>
<td>6</td>
<td>18.2</td>
</tr>
<tr>
<td>5-10 million IDR</td>
<td>5-10</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>10-20 million IDR</td>
<td>&gt;10</td>
<td>4</td>
<td>12.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

Based on data obtained showed that the level of investment in SMEs in Bantul varied between less than 50 million USD to 500 million INR. The largest number of existing SMEs in Bantul classified industries with an investment of less than 50 million IDR, are 22 unit. While the level of income per month of all SMEs ranged from less than 1 million USD, up to 10 million IDR. The ratio of SMEs are the largest income level is between 1-2 million IDR per month, amounting to 36.4%. While those who managed to obtain an average income above 10 million IDR per month was 9.1%.

Most small and medium enterprises in Bantul did not have legal status yet. Mostly are individual SMEs which do not have notary deed and only a small portion which has a legal entity (Ltd, CV, firm, or cooperative). Distribution of SMEs in Bantul industry has generally concentrated in a few areas in accordance with the characteristics and type of industry. The grouping and concentration of business is based on the factor of resources and labor skills possessed. Grouping of industries include industrial wood furniture, ceramics, woods craft, chisel decoration, bamboo and melinjo chips.

Types of industrial SMEs located in Bantul include wood industry, ceramic, bamboo and chips melinjo. The entire industry is almost entirely local content has an average of 100%, with the number of employees ranging from 400-1400 people. Total export value of the industry average ranges between 0.3 million U.S. $ - 1.5 million U.S. $ per year. Based on data obtained in the field show that some SMEs had engaged in exports to some countries in USA and Europe, such as the Netherlands, France, Belgium, Australia, Canada and New Zealand.

Table 3: Industry Results Bantul District in 2007-2008

<table>
<thead>
<tr>
<th>Group Industry</th>
<th>District Location</th>
<th>Local material (%)</th>
<th>Labor (people)</th>
<th>Value US$ million</th>
<th>Total export %</th>
<th>Growth (%)</th>
<th>State goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive Wood furniture</td>
<td>Sewon Banglipuro</td>
<td>100</td>
<td>1,772</td>
<td>1.4</td>
<td>39</td>
<td>187</td>
<td>Australia, USA, Netherlands, Belgium</td>
</tr>
<tr>
<td>Competitive Wood furniture</td>
<td>Dlingo Kasihan</td>
<td>90</td>
<td>4157</td>
<td>1.2</td>
<td>60</td>
<td>387</td>
<td>Australia New Zealand, Netherlands, Belgium</td>
</tr>
<tr>
<td>Mainstay Crafts wood</td>
<td>Sewon</td>
<td>100</td>
<td>498</td>
<td>0.5</td>
<td>30</td>
<td>19</td>
<td>Australia New Zealand, Netherlands</td>
</tr>
<tr>
<td>Chisel decoration</td>
<td>Sewon Imogiri Kasihan</td>
<td>90</td>
<td>679</td>
<td>0.5</td>
<td>40</td>
<td>28</td>
<td>Australia, Canada USA</td>
</tr>
<tr>
<td>Seoked Bamboo</td>
<td>Dlingo Kasihan</td>
<td>100</td>
<td>1,307</td>
<td>0.15</td>
<td>20</td>
<td>12</td>
<td>Thailand</td>
</tr>
<tr>
<td>Melinjo chips</td>
<td>Bantul Banggunan</td>
<td>100</td>
<td>732</td>
<td>0.3</td>
<td>10</td>
<td>12</td>
<td>Thailand</td>
</tr>
</tbody>
</table>

Source: Bappeda Bantul District

Development of SME sector which thus implies that there is great potential for domestic power, if this can be managed and developed properly would be to create a formidable medium businesses, as happened during the development of medium businesses in South Korea and Taiwan. However, the other side of SMEs are still confronted with the fun-
Damental problems outlined include: First, it was very difficult to access of SMEs to the market for the products it produces. Second, still weak development and strengthening of its SMEs operations. Third, SMEs have limited access to the source - Financing sources of formal financial institutions, especially from banks.

Limited access to sources of financing faced by SMEs in particular preperator Micro, Small and Micro Enterprise (SMEs), especially from formal financial institutions such as banks, causing them to rely on informal sources. The form of these sources may vary from money-lenders (loan sharks) to develop in the form of savings and loan units, cooperatives and other forms. In its development, informal financial institutions is more striking among SMEs because it is more flexible, for example in terms of requirements and the amount of loans that are not as tight as banking requirements as well as flexibility on the loan disbursement.

This is one indicator that the existence of informal financial institutions in accordance with the needs of SMEs, which generally requires funding according to the scale and nature of small business. Others SMEs limitation are marketing lack, the problems are associated with the number of competitors engaged in the same industry, relatively lack of foreign language skills which becomes an obstacle in negotiating, and export to overseas markets.

4.2 Knowledge of Insurance Product

The knowledge of insurance in the community varies quite widely, but is generally poor. Many people we interviewed had heard of insurance but the majority of them could not explain how it works. A minority of respondents were policy holders who participated in endowment insurance for education or retirement, or who purchased life and/or accident insurance. All respondents who owned motorcycles or cars (again a minority) were covered by mandatory insurance (referred to as travelers insurance) that is purchased annually when the vehicle registration is renewed. Respondents also had a low level of understanding of Jamsostek, the Government's social insurance programme offered to formal-sector workers, despite the fact that several respondents had immediate family workers who participate in this insurance. From 250 respondents, 198 respondents with a percentage of 79.2% stated that the perception on insurance products are not understood and 52 respondents with percentage of with 20.8% understand the insurance products.

Discussions with interviewees suggest that there is confusion about the distinction between an insurance policy that pays out based on the occurrence of a specific risky event, such as an accident or death, and an endowment policy that is basically an investment programmed. Since endowment insurance for education is very popular and has been marketed in some low-income communities, there is an expectation that all insurance results in a certain and defined payout. This is not necessarily the case for accident or life insurance. This confusion has led to some disappointment for people who purchased insurance with unrealistic expectations of what the return would be. On a number of occasions, respondents noted that insurance is not available where they live and that insurance companies need to undertake marketing in their village.

In a few locations, the perceptions of one insurance company, Jiwasraya, and by association, insurance in general, were bad. Respondents stated that they were distrustful of Jiwasraya because company personnel had committed fraud. Unsuspecting customers had purchased policies and paid premiums to a salesperson. When they had a claim, they contacted the main office and discovered that there was no record of their policy. Additionally, focus group participants claimed that the company did not inform the public very well about the product, i.e., what it was for, what was covered and how much it cost. People who had purchased Jiwasraya products said that the procedures were too complicated, that it was not easy to make a claim and get money back. One woman's father had a policy through this company and the family felt cheated. Some respondents noted that it is easier to save money in a bank and then withdraw it when it is needed.

There was a general sense in the industry groups that people prefer to save or invest their money in such a way that they can be certain that they are able to access it later. These groups did not accept the idea of paying into a policy and not necessarily receiving anything in return. This suggests that endowment insurance will be in greater demand than health, accident, or life insurance. The perception among the majority of the respondents is that they cannot afford insurance. This, however, was combined with a low level of knowledge about insurance and its costs. Respondents were open to the idea of insurance, however, and said that the insurance companies needed to market in their areas and provide more information about the products. There is a widespread perception in low-income communities that it is not good to talk about bad things such as death.

4.3 Level of Insurance Needs

Based on the field, show that (1) respondents who have a status as owners stated that they do not need insurance at the moment (15%), (2) respondents as workers stated that they need insurance, especially life insurance and health insurance, or social protection (85%). In accordance to that condition, the highest demand for health insurance (in particular hospitalization). According to interviews taken in the context of the current study, the finan-
cial impact of illness also varies. Generally, illnesses that require hospitalization have the largest impact on a household’s budget. Small illnesses can have a major impact on a family if they happen often enough or affect several people in the household at once. The harshest impact on a family comes from a long-term illness that requires multiple hospitalizations. People use their savings to cope with the cost of hospitalization. Although savings are easily accessible, they are usually inadequate to cover the entire expense. Arisans are invaluable as sources of lump sums of cash, although sometimes inadequate. Family and friends can pro vide loans quickly but they are often small and for limited durations. Formal insurance usually provides less than full coverage and is not timely, and low-income people have very limited access to it.

Lack of access to health services is mainly caused by high out-of-pocket payments, inequities in budget allocation, and significant under-funding, despite the relatively large number of local primary health centre, called PUSKESMAS. These provide basic health services at low cost, but the quality of services differs widely. The poor can apply for a letter for discount at PUSKESMAS and government hospitals, but access is limited by a nationwide quota system set up by the Government and proof of meeting the criteria of being “poor enough ”. Apparently, in some regions, timeliness of receiving the letter is not a problem, whereas in others, the poor did not receive the document in time and were forced to utilize health services at their own expense.

5 Summary and Recommendations

5.1 Summary
Based on data analysis there are two important findings, that can be summarized as follows:

- The knowledge of insurance in the community varies quite widely, but is generally poor. Many people we interviewed had heard of insurance but the majority of them could not explain how it works. A minority of respondents were policy holders who participated in endowment insurance for education or retirement, or who purchased life and/or accident insurance.

- Based on the exposure of Small and Medium Enterprises in Bantul, the researchers can conclude that perception of Micro, Small and Medium Enterprises (SMEs) on the level of insurance needs in Bantul is significantly needed as this can be seen from the majority of respondents which stated that insurance is really needed by them. While the owners of Micro, Small and Medium Enterprises feel that insurance is not needed because they assume that the business risks that happened and probably will happen are still able to be overcome by the owner, insurance is also considered increasing costs.

5.2 Recommendation
From the research findings there are the protection yet will not cover all parts of the population, micro-insurance could be an appropriate mechanism to complement the benefits mentioned in the law. The success of health micro insurance depends to a large extent, however, on the availability and quality of the health-care facilities and services. Furthermore, preventive care and close contact to primary health-care services usually enhances the health status of members and subsequently contributes to reducing premiums for health micro-insurance. Despite the high demand for health coverage, it is suggested that the simpler micro-insurance products be developed first, in collaboration with the banking sector. In the meantime, the preparatory work for the more complex health benefit package can be started.

Through the project Development of a Social Health Insurance System in Indonesia (SHI), it is attempting to incorporate micro-insurance as one instrument of other social security systems. If the Indonesian Government would accept this approach, a number of advantages are expected such as:

- Systematic development of micro-insurance products through state-owned and private insurance providers.

- Enabling organizations of civil society to assist and/or offer micro-insurance services complying with the legal framework and help to ensure the viability of insurers.

- Creating a suitable regulatory environment (e.g., allowing micro-insurance activity and protecting consumers from misleading selling practices—this is even more important because the client base is often uneducated and lacks the ability to assess the performance of the insurer).

- Promoting formal-sector insurance institutions to enter the low-income market and adjust their delivery channels according to the requirements of low-income clients.

Other recommendations that can be given from this research are:

1. Business owners are expected to acknowledge the importance and benefits of insurance namely will be able to assist the process of work performance for enterprises as well as for workers. Thus, determining management policies can be done in a more secured way both for the owner and workers.
2. It is needed to do a more professional management in improving the welfare of workers as this would motivate the workers.

3. Given various risks that may occur, there should be further analysis in order to determine the appropriate and mutually beneficial insurance product between the SMEs and the insurance industry, which include calculation of insurance premium for the SMEs.

4. There should be cooperation between local government and insurance industry to socialize and promote insurance products and benefits for the SMEs in the regency of Bantul.

References


