GAP BODHI TARU
A GLOBAL JOURNAL OF HUMANITIES
(ISSN – 2581-5857)
Impact Factor: SJIF - 5.551, IIFS - 5.125
Globally peer-reviewed and open access journal.

A STUDY OF ENHANCING FINANCIAL INCLUSION: THE ROLE OF INSURANCE SECTOR IN INDIA

Mr. Ravi Rakesh Singh, Prof. Vishal R. Tomar

Visiting Faculty: Sydenham College of Commerce & Economics
Research Scholar: Business Policy & Administration
Smt. MMK College of Commerce & Economics, Mumbai.
Email id: rav9629@gmail.com
Contact: +91-70454 23501 / 79770 05423

Professor, Department of Commerce
Research Supervisor: Business Policy & Administration
Smt. MMK College of Commerce & Economics, Mumbai.
Email Id: vishal.tomar@mmk.edu.in
Contact: +91-93243 26358

Abstract

Financial inclusion, as defined by the Planning Commission (2009), entails universal access to a broad spectrum of financial services at affordable rates, encompassing not only banking products but also insurance and equity products. Despite proactive measures by the Government of India, the Reserve Bank of India, and policymakers to enhance access to basic financial services, a significant segment of the rural and semi-urban population in India still faces challenges due to lack of awareness and financial literacy, leading to financial exclusion. While the banking industry has made strides in improving financial inclusion, there is a growing focus on including rural and semi-rural populations in insurance services. Currently, a large proportion of the Indian population remains excluded from both life and non-life insurance categories, highlighting the need for greater inclusion efforts.

This study examines the role of the insurance sector in enhancing financial inclusion and provides an overview of the current scenario of the insurance industry in India. Based on secondary data collected from IRDA reports, journals, and magazines, the study underscores the importance of extending financial services, including insurance, to underserved areas and population segments to foster inclusive growth and promote equity. Policy initiatives by the Government of India and the Reserve Bank of India have emphasized increasing access to banking services and enhancing the delivery of financial services, with a complementary focus on insurance inclusion to achieve greater penetration. Overall, the study advocates for insurance inclusion as a vital instrument for achieving comprehensive financial inclusion in India.

Keywords: *Financial Inclusion, Insurance Sector, Rural And Semi-Urban Population, Banking Services & India.*

INTRODUCTION

In today's complex world, the concept of insurance holds significant importance as the level of risk we face in various aspects of life has greatly increased. This has led to the expansion of the insurance industry and the introduction of different types of insurance policies. Insurance not only helps individuals manage risks but also serves as a means of saving money and facilitating financial transactions. Moreover, it plays a crucial role in driving economic development, and conversely, economic progress can spur the growth of the insurance sector. In India, the deregulation of the insurance sector brought about significant changes, resulting in the introduction of new products and improved services for customers. Recognizing the importance of financial services for the less privileged sections of society, efforts have been made to provide access to banking, savings, loans, insurance, and other financial facilities to them. This is seen as essential for promoting inclusive growth and reducing income disparities and poverty.

Financial inclusion goes beyond simply having a bank account; it encompasses access to various financial services such as insurance and postal facilities. It has become a key focus area for policy interventions to ensure the long-term sustainability and welfare of disadvantaged rural and social groups. These groups are highly vulnerable to risks related to their lives and livelihoods, making it imperative to provide them with insurance services for sustainable social protection.

Initiatives such as rural and social sector obligations and micro-insurance regulations by the Insurance Regulatory and Development Authority of India (IRDAI) are steps in the direction of promoting financial inclusion and social protection for the marginalized. However, despite the presence of regulations and insurance companies, there is still a need for innovative insurance products and effective distribution channels to reach a larger segment of the population in need.

Educating the majority of the population about insurance remains a challenge that needs to be addressed. As part of efforts to promote financial inclusion, micro-insurance emerges as a suitable solution for the targeted market segment, offering tailored insurance products to meet their needs.

REVIEW OF LITERATURE

1. Nandru and Byram (2015) conducted a study titled "Enhancing Financial Inclusion Through Insurance-Current Status & Challenge," highlighting the importance of insurance products in improving financial inclusion, particularly among rural populations in India. They suggested that insurance companies should fulfill the needs of rural people and low-income households in urban areas by providing suitable insurance schemes and creating awareness about the insurance sector among rural people.
2. Prabhakara (2007) examined the significance of creating awareness about essential financial services such as life insurance and basic banking services. The study emphasized the role of accessibility and affordability in enhancing business opportunities for bankers and life insurers, advocating for the integration of life insurance into financial inclusion programs.
3. Gunaranjan (2007) studied the imperative of financial inclusion for poor, rural, and socially disadvantaged groups, emphasizing it as a priority for policymakers. The research acknowledged the role of rural and social sector obligations and micro-insurance regulations in ensuring financial inclusion and social protection for the poor.
4. Choudhari (2013) addressed the evolving landscape of financial inclusion, stressing the need to extend access to safe, easy, and affordable financial services, including insurance, to vulnerable and disadvantaged groups, particularly in rural areas. The study highlighted the importance of meeting the insurance needs of these populations to achieve the goal of financial inclusion.
5. Sujlana and Kiran (2018) studied the current status of financial inclusion in India using attribute branch penetration. They observed an increase in the number of branches due to initiatives by the RBI advising banks to formulate financial inclusion policies. However, they noted that private banks were not active participants in financial inclusion efforts due to concerns about profitability.
6. Taranikanti (2017) expressed the opinion that insurance can contribute to financial inclusion by increasing its share in GDP, savings, and coverage levels. However, he highlighted major issues such as onboarding processes, the cost of insurance services, capital requirements, financial literacy, and regulatory interventions that need to be addressed.

OBJECTIVES OF THE STUDY

1. To assess the current status of insurance penetration and density in India.
2. To analyze the extent of life insurance office penetration across the country.
3. To investigate the trends in the issuance of new insurance policies.
4. To understand the role of insurance inclusion in promoting financial inclusion in India.

RESEARCH METHODOLOGY

The research method employed in this study is descriptive in nature. It relies on secondary data sourced from various reports issued by IRDA, Ministry of Finance, RBI, as well as several news articles and books. The study primarily utilizes secondary data collected from journals, articles, websites, and IRDA annual reports. The data used in the study covers the period from 2001 to 2022.

DATA ANALYSIS & INTERPRETATION

1. ANALYSIS AND INTERPRETATION INSURANCE PENETRATION AND DENSITY IN INDIA
Table 1: Insurance Penetration and Density in India

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (%)	Density (USD)	Penetration (%)	Density (USD	Penetration (%)
2001-02	9.1	2.15	2.4	0.56	11.5	2.71
2002-03	11.7	2.59	3	0.67	14.7	3.26
2003-04	12.9	2.26	3.5	0.62	16.4	2.88
2004-05	15.7	2.53	4	0.64	19.7	3.17
2005-06	18.3	2.53	4.4	0.61	22.7	3.14
2006-07	33.2	4.1	5.2	0.6	38.4	4.8
2007-08	40.4	4	6.2	0.6	46.6	4.7

GRAND ACADEMIC PORTAL
RESEARCH JOURNALS
GAP BODHI TARU
A GLOBAL JOURNAL OF HUMANITIES
(ISSN – 2581-5857)
Impact Factor: SJIF - 5.551, IIFS - 5.125
Globally peer-reviewed and open access journal.

2008-09	41.2	4	6.2	0.6	47.4	4.6
2009-10	47.7	4.6	6.7	0.6	54.3	5.2
2010-11	55.7	4.4	8.7	0.71	64.4	5.1
2011-12	49	3.4	10	0.7	59	4.1
2012-13	42.7	3.17	10.5	0.78	53.2	3.96
2013-14	41	3.1	11	0.8	52	3.9
2014-15	44	2.6	11	0.7	55	3.3
2015-16	43.2	2.72	11.5	0.72	54.7	3.44
2016-17	46.5	2.72	13.2	0.77	59.7	3.49
2017-18	55	2.76	18	0.93	73	3.69
2018-19	54	2.74	19	0.97	74	3.7
2019-20	58	2.82	19	0.94	78	3.76
2020-21	59	3.2	19	1	78	4.2
2021-22	69	3.2	22	1	91	4.2
Mean	**40.35**	**3.12**	**10.21**	**0.74**	**50.65**	**3.87**
Median	**43.20**	**2.82**	**10.00**	**0.70**	**54.30**	**3.76**
Variance	**300.37**	**0.50**	**37.28**	**0.02**	**524.04**	**0.50**
SD	**17.33**	**0.71**	**6.11**	**0.15**	**22.89**	**0.71**

(Source: IRDA Annual Report)

INTERPRETATION : (TABLE 1)

1. Life Insurance Density:
Mean: $40.35 USD
Median: $43.20 USD
Variance: 300.37
Standard Deviation: 17.33
The average density of life insurance over the analyzed period was $40.35 USD, with a median density of $43.20 USD. There was significant variability in density values, as indicated by a high variance of 300.37 and a standard deviation of 17.33.

2. Non-Life Insurance Density:
Mean: $10.21 USD
Median: $10.00 USD
Variance: 37.28
Standard Deviation: 6.11
The average density of non-life insurance over the analyzed period was $10.21 USD, with a median density of $10.00 USD. There was relatively less variability in density values compared to life insurance, as indicated by a lower variance of 37.28 and a standard deviation of 6.11.

3. Industry Density (Combining Life and Non-Life):
Mean: $50.65 USD
Median: $54.30 USD
Variance: 524.04
Standard Deviation: 22.89
The average density of the insurance industry (combining life and non-life) over the analyzed period was $50.65 USD, with a median density of $54.30 USD. There was considerable variability in density values, as indicated by a high variance of 524.04 and a standard deviation of 22.89.

Overall, the analysis highlights fluctuations in insurance density values over the years, with life insurance exhibiting higher variability compared to non-life insurance. However, the industry as a whole shows considerable variability in density values, reflecting the dynamic nature of the insurance sector.

2. NUMBER OF NEW POLICIES ISSUED

Table 2: Number of new policies issued

Sr. No.	Insurer	2021-22	2022-23
1	LIC	217.19 **(-3.54)**	204.24 **(-5.96)**
2	Private sector	73.94	80.42

GRAND ACADEMIC PORTAL
RESEARCH JOURNALS
GAP BODHI TARU
A GLOBAL JOURNAL OF HUMANITIES
(ISSN – 2581-5857)
Impact Factor: SJIF - 5.551, IIFS - 5.125
Globally peer-reviewed and open access journal.

		(-3.38)	**8.77**
	Total	291.13	284.7
		(-3.51)	**(-2.21)**

(Source: IRDA Annual Report)

INTERPRETATION (TABLE 2)

1. LIC (Life Insurance Corporation of India):

- In 2021-22, LIC's premium income was 217.19, which decreased to 204.24 in 2022-23.
- This represents a percentage change of -3.54% from 2021-22 to 2022-23.
- The decline in LIC's premium income intensified in the following year, with a percentage change of -5.96% from 2021-22 to 2022-23.

2. Private Sector Insurance Companies:

- Premium income for private sector insurers increased from 73.94 in 2021-22 to 80.42 in 2022-23.
- However, the percentage change indicates a decrease of -3.38% from 2021-22 to 2022-23.
- The growth in premium income for private sector insurers was more pronounced in the subsequent year, with a percentage change of 8.77%.

3. Overall (Total Premium Income):

- The total premium income for the insurance sector was 291.13 in 2021-22 and decreased to 284.7 in 2022-23.
- This reflects a percentage change of -3.51% from 2021-22 to 2022-23.
- The rate of decline slowed down in the subsequent year, with a percentage change of -2.21% from 2021-22 to 2022-23.

The data indicates a mixed trend in premium income for LIC, private sector insurers, and the overall insurance sector. While LIC experienced a decline in premium income in both years, the private sector saw an increase in premium income in the second year despite a decline in the percentage change.

3. LIFE INSURANCE OFFICE PENETRATION IN INDIA

Table 3: Life Insurance Office Penetration In India

Year	Insurer					
	Private	Annual growth rate %	LIC	Annual growth rate %	Industry	Annual growth rate %
2008	6391		2522		8913	
2009	8785	37.46	3030	20.14	11815	32.56
2010	8768	-0.19	3250	7.26	12018	1.72
2011	8175	-6.76	3371	3.72	11546	-3.93
2012	7712	-5.66	3455	2.49	11167	-3.28
2013	6759	-12.36	3526	2.05	10285	-7.90
2014	6193	-8.37	4839	37.24	11032	7.26
2015	6156	-0.60	4877	0.79	11033	0.01
2016	6179	0.37	4892	0.31	11071	0.34
2017	6057	-1.97	4897	0.10	10954	-1.06
2018	6204	2.43	4908	0.22	11112	1.44
2019	6347	2.30	4932	0.49	11279	1.50
2020	6355	0.13	4,955	0.47	11,310	0.27
2021	6090	-4.17	4,970	0.30	11,060	-2.21
2022	6075	-0.25	4,985	0.30	11,060	0.00

(Source: IRDA Annual Reports)

INTERPRETATION: TABLE 3

The table presents data pertaining to the private insurer, LIC (Life Insurance Corporation of India), and the overall insurance industry, including their respective values and annual growth rates spanning from 2008 to 2022.

1. Private Insurer:

- The private insurer exhibits fluctuating values over the specified period, with varying growth rates observed annually.
- Notably, there is a notable decline in growth rates from 2009 to 2013, suggesting a period of downturn for the private insurer.

GRAND ACADEMIC PORTAL
RESEARCH JOURNALS
GAP BODHI TARU
A GLOBAL JOURNAL OF HUMANITIES
(ISSN – 2581-5857)
Impact Factor: SJIF - 5.551, IIFS - 5.125
Globally peer-reviewed and open access journal.

- Subsequently, there is a gradual stabilization in growth rates post-2013, albeit with minor fluctuations, indicative of a more consistent performance in recent years.

2. LIC (Life Insurance Corporation of India):

- LIC demonstrates generally positive growth in values over the years, albeit with varying growth rates across different periods.
- The growth rate of LIC displays relatively more stability compared to the private insurer, characterized by smaller fluctuations.
- A significant surge in growth rate is observed in 2014, indicating a period of substantial expansion for LIC.

3. Industry:

- The aggregate industry values depict an upward trajectory throughout the examined period, signaling overall growth within the insurance sector.
- Although the growth rate experiences fluctuations, it maintains a positive trend over the entire duration.
- Similar to LIC, a noteworthy increase in growth rate is observed in 2014, suggesting a period of notable advancement for the insurance industry.

The analysis underscores the dynamic nature of the insurance landscape, with both private insurers and LIC exhibiting fluctuations in growth rates over the years. Despite these variations, the industry as a whole demonstrates positive growth trends, reflective of its resilience and adaptability to evolving market conditions. Further research could delve into the specific factors influencing growth patterns within the insurance sector and their implications for stakeholders.

FINDINGS

1. Insurance penetration and density in India exhibit fluctuations over the years, with varying trends observed in life insurance and non-life insurance sectors.
2. The number of new policies issued by Life Insurance Corporation of India (LIC) experienced a decline, while private sector insurers witnessed mixed trends in premium income, indicating a dynamic market environment.
3. Annual growth rates for private insurers, LIC, and the insurance industry fluctuated over the examined period, reflecting varying levels of performance and market dynamics within the sector.
4. Despite challenges, the insurance sector demonstrates resilience and adaptability, contributing to economic development and social welfare through the promotion of financial inclusion.
5. Efforts to provide access to insurance services to underserved communities are crucial for sustainable social protection and inclusive growth, highlighting the importance of tailored products and regulatory reforms.
6. Policymakers, insurance companies, and other stakeholders need to address regulatory challenges, promote financial literacy, and develop innovative solutions to meet the diverse needs of different customer segments.

SUGGESTIONS & RECOMMENDATIONS

1. Enhance Financial Education: Implement comprehensive financial literacy programs targeted at both urban and rural populations to increase awareness and understanding of insurance products and their benefits.

2. Customized Insurance Solutions: Develop tailored insurance products that meet the unique needs and preferences of different demographic segments, including low-income households, small businesses, and individuals in rural areas.

3. Accessible Distribution Channels: Expand the reach of insurance services by leveraging digital platforms, mobile technology, and community-based distribution networks to make insurance products more accessible to underserved communities.

4. Regulatory Reforms: Continuously review and update regulatory frameworks to foster innovation, improve consumer protection, and ensure fair competition within the insurance industry. Streamline regulatory processes to encourage new market entrants and product innovation.

5. Partnerships and Collaboration: Foster public-private partnerships between government agencies, insurance companies, NGOs, and community organizations to pool resources, share expertise, and develop targeted initiatives aimed at increasing insurance penetration among vulnerable populations.

6. Incentives for Microinsurance: Introduce incentives and subsidies to promote the growth of microinsurance schemes tailored to the needs of low-income individuals and informal sector workers. Provide tax breaks or other financial incentives to insurers offering microinsurance products and expand government-backed reinsurance programs to mitigate risk.

CONCLUSION

In conclusion, the study sheds light on the pivotal role of the insurance sector in enhancing financial inclusion in India. Despite concerted efforts by the government, regulators, and industry stakeholders, significant challenges persist in extending insurance services to underserved populations, particularly in rural and semi-urban areas. Fluctuations in insurance penetration and density, coupled with varying trends in premium income and new policy issuance, underscore the dynamic nature of the insurance landscape.

However, amidst these challenges lie opportunities for innovation, collaboration, and regulatory reforms to drive greater financial inclusion through insurance. The findings emphasize the need for tailored insurance solutions, accessible distribution channels, and enhanced financial education to bridge the gap between insurance providers and marginalized communities. Regulatory interventions and public-private partnerships are essential to address systemic barriers and promote inclusive growth.

As India strives towards a five trillion-dollar economy, it is imperative to prioritize financial inclusion as a catalyst for sustainable development and social welfare. By harnessing the transformative potential of the insurance sector and implementing targeted recommendations, stakeholders can pave the way for a more equitable and resilient financial ecosystem that benefits all segments of society.

Through continued research, advocacy, and action, we can realize the vision of a Viksit Bharat – a prosperous and inclusive India built on the foundation of financial empowerment and resilience.

FUTURE RESEARCH DIRECTIONS

Future research could delve deeper into the specific factors influencing insurance penetration and density in India and their impact on financial inclusion outcomes. Additionally, comparative studies across different regions and countries could provide valuable insights into best practices and strategies for enhancing financial inclusion through the insurance sector.

REFERENCES

[1] Kaur, Jaspreet. "Insurance Penetration and Density in India." International Journal of Business Management, vol. 2, no. 1, 2015, pp. 1-10.
[2] Kulshresth, Laxmi R., and Anuja Kulshresth. "Liberalization and Rural Insurance: Prospects and Challenges." Life Insurance Today, vol. 1, no. 10, 2006, pp. 9-13.
[3] Kumar, Jogendra. "Insurance: Industry on Growth Path." Life Insurance Today, vol. 1, no. 9, 2005, pp. 6-10.
[4] Nandru, Prabhakar, and Anand Byram. "Enhancing Financial Inclusion Through Insurance – Current Status & Challenge." International Journal of Advanced Scientific Research and Development, vol. 1, no. 1, 2015, pp. 55-61.
[5] Satya Kumar, Radha, and Gella Sriessha. "Growth and Penetration of Life Insurance Industry in India." International Journal of Arts and Science Research, 2014, pp. 63-69.
[6] Taneja, Aruna, and Kumar Narendera. "Insurance in India – Challenges and Opportunities." The Insurance Times, vol. 24, no. 11, 2004, pp. 34-37.
[7] Sujlana, Paramjit, and Chhavi Kiran. "A Study on Status of Financial Inclusion in India." International Journal for Management Studies, vol. 52, no. 3, 2018, pp. 12.
[8] Sriram Taranikanti. "Insurance Sector and its role in financial inclusion." Andhra Pradesh HRD Institute Journal, Data retrieved from - https://www.aphrdi.ap.gov. in/Trainings/workshops2017.php
[9] Various Annual reports, Journals, and Articles of IRDA, Ministry of Finance, RBI.