An Empirical Study on the Aspects of Bancassurance and its Relationship with Economic Growth in India

Structured Abstract of the Study

Research Premise

Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium and can be thought of a guaranteed small loss to prevent a large, possibly a devastating loss. Insurance is a form of risk management primarily used to hedge against the risk of a contingent loss. It is also defined as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk. Crises and risks are recurring features in the lives of human beings, both rich and poor. The risk cannot be averted, but loss occurring due to a certain risk can be distributed amongst the agreed persons. Risks emanating from the Acts of God or natural calamities, death, disablement and the like; require insurance. In the absence of insurance, the advancement of present day society would have come to a standstill. Insurance is often a less trodden path because it is challenging to quantify and count its values.

Objectives

The objectives signify a holistic coverage of international insurance market and also throw focus on India's position in the international arena. A new assessment method of international insurance is studied. The significant factors that impact the growth of insurance and hence bancassurance are analyzed. The growth of insurance in India can happen along with banking sector development and accordingly the interrelation of insurance density, bancassurance with economic growth is studied.

Methodology

The study undertakes a comprehensive analysis of India's insurance sector within a global framework, focusing on the period from 2000-01 to 2023-24 with a particular focus on bancassurance model of distribution system of insurance. The BRIP model is utilized to evaluate international insurance comparison. The drivers of insurance are reviewed for Governance indicators, Economic indicators and Heath indicators. The two relationship between insurance density and economic growth is evaluated by way of Granger causality.

Findings

The BRIP model shows an improved position of India in comparison to traditional methods. As the position of India actually improved the various drivers of insurance and thereafter of bancassurance are analyzed from three different perspectives. The significant indicators depict the impact on insurance density, insurance penetration and on bancassurance. The two way relation amongst banking sector development, insurance sector development and economic growth through insurance density is established.

Social Implications

Policy makers of insurance should lay stress in the modern world on the new assessment method which reveals a different perspective than the traditional parameters. Collaboration between banks and insurance companies to provide insurance to the common people adds to the service value in the economy. With a broader market base the insurance companies should tap different sources to reach the investors. The customers should be provided with better insurance products which can draw higher customer satisfaction as well as long-term commitment to investment. Insurance being a crucial component of the economy its development leads to economic growth and hence leads to holistic development.

Key Words: Insurance, Insurance Density, Insurance Penetration, Insurance Premium, Drivers of Insurance, Bancassurance, Banking Sector Development, Insurance Sector Development,