Global Presentation of Insurance Penetration and Density in context of India and BRICS Nations

Dr. Ankita Jasmine Lall[1], Dr. Shilpa Mishra[2]

[1,2]*Assistant Professor, Institute of Economics and Finance, Bundelkhand University, Jhansi*

Abstract: Insurance Sector has emerged not only as a facilitator but also as a support system in the financial market. Insurance services have actually created a scenario of increasing risk taking capacity especially in businesses. It can be well assessed that insurance market has handsomely contributed to the economic development of the countries. In the present scenario the insurance market under the verge of deregulation period has shown a tremendous growth and thus paved the way for growth of economies. And thus to judge the potential and performance of the insurance industry Penetration and Density are the two major parameters that needs to be noticed. This study being descriptive in nature attempts to focus on showing the trend of Insurance Penetration and Density in India since 2002-22 and to show the present status of Insurance Penetration and Density in the light of emerging economies of the world known as BRICS nations to give an overview of international comparison.

***Keywords*: Insurance Penetration, Insurance Density and BRICS nations.**

INTRODUCTION

The Insurance Industry has always been a crucial part of the financial sector. It has dealt with risk management in the financial market in a better manner. With the broadening of the market the insurance sector has been in the pivotal role of not only mobilising the resource in economies but also in mitigating the risk by coverage on uncertain losses (Vimala & Alamelu, 2018). Studies have also reveals that the growth of insurance sector is closely related to the economic development of economies.

As we all know that insurance is just a protection provided by a company known as the insurer towards any type of financial loss to the insured person. But for the coverage of this loss the insured person pays an amount in terms of premium to mitigate the risk associated with the happening of the uncertainty which is being covered.

INDIAN INSURANCE INDUSTRY

The Indian Insurance Industry can be categorised into Life Insurance and Non-Life Insurance market with a total of 57 industries with 24 companies concentrated in Life Insurance sector and 34 in non life insurance as per the report of IBEF 2022. The Life Insurance Market is majorly captured by Life Insurance Corporation (LIC) and there are six public sector players in the non life insurance market. Data reveals that India has ranked 10th in Life Insurance and has taken up the 14th position in Non-life insurance in the world (India Brand Equity Foundation, 2022).

With the growing incomes and more awareness amongst the people about risk cover under financial inclusion the Indian insurance sector is showing a growth. This has led to making India reach at the 5th position in the life insurance market amongst the global emerging insurance market with a growth of 32-34 percent each year.

In order to measure the growth of the any product or sector in an economy two major parameters are considered that are market penetration of the product and the market density. These elaborate the augmentation and adaptation of a product in the market. Here for the insurance sector we can judge its adaptation and growth through Insurance Penetration and Insurance Density.

Insurance Penetration: In simple terms, Insurance penetration shows the ratio of Insurance premium collected of the product to the GDP of a country for a particular year. It can be measured as:

$$Insurance\ Penetration = \frac{Insurance\ Premium\ Paid\ for\ the\ Year}{GDP\ for\ the\ Year}\ X\ 100$$

Through the insurance penetration we can judge the development of insurance sector in a country. Thus it is one of the important parameter for judging the growth of the insurance sector.

Insurance Density: Insurance Density can be defined as the per capita premium paid for a country. It is a measure to ascertain the total growth and development of the insurance sector in a country as it averages the per person premium of the sector. It is calculated in terms of US dollars and it measured as:

$$Insurance\ Density\ (in\ USD) = \frac{Insurance\ Premium\ Paid\ (in\ USD)}{Population\ of\ the\ country}$$

Thus for ascertaining the growth of the insurance sector in the country these two parameters are considered together.

IMPORTANCE OF BRICS NATIONS FOR ECONOMIC GROWTH

As per the Ministry of External Affairs (2021), BRICS nations is an association of 5 major emerging economies of the world named Brazil, Russia, India, China and South Africa which comprises of almost 41 percent of the world population and it contributes to about 24 percent to the world's GDP. These emerging economies have not only look forward to political, cultural and security related issues but also to financial and economic issues related to the conglomerate. Thus realising the importance of BRICS in economic development of concerned nations an attempt was made to check the performance of insurance sector in these emerging economies.

OBJECTIVE OF THE STUDY

The Study aims to ascertain the following objectives:
1. To know the trend of Insurance Penetration and Insurance Density in India from 2002-2022.
2. To make a comparative analysis of Insurance Penetration and Insurance Density amongst BRICS Nations for the years 2017- 2021.

Hypothesis
There is no significant difference in mean value of life and non life insurance penetration and density in India.

METHODOLOGY

The present study is descriptive in nature and is based on secondary data collected from reports of IRDAI regarding the performance of Insurance Sector in India. The time period considered for this study for India is from 2002-2022 and for the BRICS nations it is from 2017-21 as a comparative situation is predicted here. In order to show the difference simple mathematical operations have been used like Mean, Standard Deviation and Students T test.

DATA ANALYSIS AND INTERPRETATION

The table 1 represents the Trend of Insurance Penetration and Insurance Density in India showing both Life and Non Life insurance penetration from 2002-2022.
The table shows that the concentration of life insurance is more in both the parameters as compared to non life insurance.

Table 1:	Group wise Insurance Penetration and Density in India				
Year	Insurance Penetration (%)		Insurance Density (USD)		
	Life	Non Life	Life	Non Life	
2001-02	2.15	0.56	9.1	2.4	
2002-03	2.59	0.67	11.7	3	
2003-04	2.26	0.62	12.9	3.5	
2004-05	2.53	0.64	15.7	4	
2005-06	2.53	0.61	18.3	4.4	
2006-07	4.1	0.6	33.2	5.2	
2007-08	4	0.6	40.4	6.2	
2008-09	4	0.6	41.2	6.2	
2009-10	4.6	0.6	47.7	6.7	
2010-11	4.4	0.71	55.7	8.7	
2011-12	3.4	0.7	49	10	
2012-13	3.17	0.78	42.7	10.5	
2013-14	3.1	0.8	41	11	
2014-15	2.6	0.7	44	11	

2015-16	2.72	0.72	43.2	11.5
2016-17	2.72	0.77	46.5	13.2
2017-18	2.76	0.93	55	18
2018-19	2.74	0.97	54	19
2019-20	2.82	0.94	58	19
2020-21	3.2	1	59	19
2021-22	3.2	1	69	22
Mean	3.12	0.74	40.35	10.21
Median	2.82	0.7	43.2	10
Variance	0.48	0.02	286.06	35.51
Std. Dev.	0.69	0.14	16.91	5.96

Source: IRDAI Annual Reports 2017-22 and Author's Calculation

In the table 2 given below the hypothesis related to insurance penetration in India over the years is tested. The results of Students T test reveals that the p value is less than 0.05 which shows that the null hypothesis is rejected that shows that there is a significant difference between the mean scores of life and non life insurance penetration in India over the years.

Table 2: Results of Students T Test for Insurance Penetration in India

Insurance Penetration (%)		H0: No significant difference between mean scores of life and non life insurance penetration in India	
P - value	3.8E-12	P value<0.05	Null Hypothesis rejected

Source: Author's own calculation

The table 3 shown below shows the results of Students T test used to test the difference between mean scores of life and non life insurance density in India. The results reveal that as the p value is less than 0.05 thus it reveals that the null hypothesis is rejected contributing to significant difference between the two.

Table 3: Results of Students T test for Insurance Density in India

Insurance Density (USD)		H0: No significant difference between mean scores of life and non life insurance density in India	
P - value	5.76E-10	P value<0.05	Null Hypothesis rejected

Source: Author's own calculation

The table 4 given below shows the insurance penetration from 2017-21 in BRICS nations.

Table 4:	BRICS INSURANCE PENETRATION (%)					
Country/Year		2017	2018	2019	2020	2021
Brazil	Life	2.28	2.1	2.25	2.3	2.1
	Non Life	1.77	1.8	1.78	1.8	1.7
Russia	Life	0.36	0.47	0.37	0.4	0.4
	Non Life	1.04	1.06	0.97	1	0.9
India	Life	2.76	2.74	2.82	3.2	3.2
	Non Life	0.93	0.97	0.94	1	1
China	Life	2.68	2.3	2.3	2.4	2.1
	Non Life	1.89	1.92	2.01	2.1	1.9
South Africa	Life	11.02	10.27	10.73	11.2	10
	Non Life	2.74	2.62	2.67	2.5	2.2

Source: IRDAI reports

It is observed in the BRICS nations that all nations show the concentration of Life Insurance more as compared to non life insurance. Overall South Africa has shown the major participation in Life Insurance followed by India. And the least performance of LI was seen in Russia. Comparatively for Non life insurance penetration too South Africa topped the emerging economies followed by China and Brazil.

Table 5:	BRICS INSURANCE DENSITY (USD)					
Country/Year		2017	2018	2019	2020	2021
Brazil	Life	224	186	196	151	160

	Non Life	174	159	155	120	130
Russia	Life	39	50	43	41	49
	Non Life	113	114	113	105	111
India	Life	55	55	58	59	69
	Non Life	18	19	19	19	22
China	Life	225	221	230	241	253
	Non Life	159	185	201	214	229
South Africa	Life	674	669	643	560	698
	Non Life	167	170	160	124	154

Source: IRDAI reports

The table 5 given above shows the BRICS nations Insurance density from 2017-21. Amongst the countries South Africa has major Insurance Density in Life Insurance followed by China and Brazil. And for the non life sector China showed the maximum concentration followed by South Africa and Brazil. But ignoring the Pandemic effect from the Insurance sector we can observe the overall growth of Insurance Sector both ways in the emerging BRICS economies of the world.

CONCLUSION

The growing size of global financial market is indicative of prominence of financial sectors in the economies. Insurance sector has always played an important role in risk mitigation whether related to life or non life sector. As per IRDAI reports it is observed that in India Insurance sector is showing a boom and tremendous growth. The major share is taken up by the life insurance sector but still the performance of non life insurance is showing a growth. But if we take away the effect of pandemic we can still observe that not only in India but amongst entire BRICS nations the insurance penetration and density is showing a positive growth thus ensuring the sustained and continuous growth in the insurance sector. The future pathway also reveals great scope for non life insurance sector amongst the nations.

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