

Abstract

Financial development plays significant role in economic growth of a nation. Financial sectors like Banking sector, insurance sector, market investment sector contribute a huge chunk in Gross Domestic Product of country. Economic liberalization and globalization gave a rapid push to insurance sectors in India. Even though, insurance sector plays a crucial role in the field of finance and economy of an area, it is disappointing to find a very few research works analyzing the inter-relationship between the economic and insurance growth in the public domain. This paper aims to study the trend of insurance sector, its growth and its contribution in the economic growth of India. The paper will also analyze the inter-relationship between GDP and insurance sector in the country exploring the impact of these two elements on each other. In this paper, a attempt to establish a correlation model using GDP and Insurance sector as variable to observe relationship between GDP and insurance sector empirically using secondary data sourced from STATISTA and IRDA. Nineteen-year data of GDP per capita, Insurance penetration and density has been used for correlation and scatter diagram to observe the direction of growth of insurance sector and economy in India.

This paper concludes that, developing countries showed a general trend of growing insurance density and penetration with growing GDP per capita. However, Rate of insurance penetration is low but insurance density is growing in fast pace while in India, both Insurance penetration and density show positive correlation with GDP per capita and growing in same direction. Important suggestion has been made with respect government intervention and company policies.

Keywords: Finance Sector; GDP Per capita; Insurance Penetration. Insurance Density