

Research Article

Corporate Social Responsibility in Insurance Sector and the Role of Insurance Sector in Economic Development of India

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Abstract: One strategy to reduce the risk and protect against unplanned losses is insurance. Risks can bring benefits, but the possibility of harm is a disadvantage. Losses can be for many reasons, both professional and personal. Insurance turns accumulated capital into productive investments. Insurance also enables loss mitigation and financial stability and facilitates business leading to sustainable economic growth and development. That is why insurance plays a key role in the sustainable growth of the economy. In the present paper, an effort is made to study the role of Insurance sector in India and the relationship between Insurance and economic growth and the various CSR initiatives taken by insurance companies in India. This paper is a comprehensive descriptive study. Secondary data and information have been analysed for preparing the paper. Secondary information has been taken from various academic sources, such as books, journal articles, conference papers, working papers, and websites. Data on CSR has been collected from annual reports and information available on the companies' websites. The main result indicates that Indian insurance sector is an integral part of the economic prosperity of the country, yet its penetration rate is significantly lower than 5%. The insurance sector in India is crucial for economic growth by promoting financial stability, encouraging savings and investments, generating employment, and supporting infrastructure development and social security. This indicates that the insurance sector plays a significant role in the overall prosperity of the country. And CSR initiatives taken by companies lead to better corporate governance practices, as companies adopt more transparent, ethical, and responsible decision-making processes.

Keywords: insurance; corporate social responsibility; economic development; insurance penetration; financial stability

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1. Introduction

The insurance sector in India has witnessed tremendous growth over the last decade with the advent of a large number of innovative products. This has led to fierce competition with a positive and healthy outcome. In India, the insurance industry contributes significantly to the country's economic health. It significantly broadens the range of savings opportunities available to individuals, safeguards their financial future, and assists the insurance sector in constructing a substantial fund base.

The insurance sector highly contributes to the capital market, which accelerates India's large-scale infrastructure development. Insurance is a way to cover your risks. When you buy insurance, you are buying protection against unexpected financial losses. The insurance company will pay you or someone you choose if something bad happens to you. If you do not have insurance and an accident occurs, you could be responsible for all the costs involved. India is the world's fifth biggest life insurance market, rising at a rate of 32-34 percent each year. Foreign direct investment (FDI) in the sector is permitted up to 26% under the automatic system, and the industry is regulated by the Insurance Regulatory and Development Authority (IRDAI).

There are 57 insurance companies in the Indian insurance sector, of which 24 are active in life insurance and 34 are non-life insurers. Life Insurance Company (LIC) is the only public-sector company among life insurers. There are six public sector insurance companies

operating in the non-life insurance segment. Apart from these, the only national reinsurer is the General Insurance Corporation of India (GIC). In addition to insurance companies, there are other people in the insurance business in India like agents, brokers, surveyors and health insurance claims administrators. Insurance is a risk management tool for society. Insurance always provides security and financial assistance that is needed in many situations (IBEF, 2024).

Research Aim and Objectives

The main aim of an insurance sector research study is to generate insights and knowledge that can inform decision-making, policy formulation, and strategic planning within the industry. Specifically, the objectives include. (a) To examine the role of insurance sector in India (b) To study the relationship between insurance and economic growth in India (c) To study the importance of CSR in insurance sector and CSR initiatives taken by top insurance companies in India.

2. Literature Review

Kjosevski's (2011) findings show that, in the long run, there is a positive relationship between the insurance sector development and economic growth but this result consistent with non-life insurance and total insurance penetration not with life insurance. In this sense, a high rate of economic growth causes a high level of insurance premiums, and the opposite is also true. It appears that high-income nations have a propensity to rely on the insurance market, and that a sufficient volume of insurance activity seems to guarantee higher rates of economic growth. Verma and Bala (2013) stated that life insurance has a positive impact on economic growth. India currently has a large population that can be insured, which is encouraging for the life insurance industry.

Eze Onyekachi and Okoye's (2013) the study found that a positive relationship between economic growth and the insurance sector. The study concludes that it is necessary to make greater efforts to boost openness and efficiency in the insurance sector through appropriate legislation and policy formation aimed at delivering institutional development, notably in risk management and product innovations in the insurance industry. Ben Dhiab and Jouili (2015) found that there is a correlation between the insurance market, as measured by insurance penetration, and the degree of density and economic growth, as measured by GDP per capital. The link between the insurance share of GDP and GDP per capita reveals that non-life insurance has a higher impact than life insurance.

According to Ul Din, Regupathi, and Abu-Bakar (2017), non-life insurance significantly and favourably influenced short-term economic growth in the United States, the United Kingdom, China, India, Malaysia, and Pakistan. Additionally, the connection between life insurance and economic growth For India, Pakistan, and the UK, growth is favourable and significant. For the United States, China, and Malaysia, the findings show a significant but adverse relationship between life insurance and economic growth. The study of Mall (2018) found that implementing strategic and operational plans with reference to various macroeconomic factors is necessary since they serve as an important gauge of state economic growth, which in turn contributes to India's economic growth.

Ul Din, Abu-Bakar, Regupathi, and McMillan (2017) explored the relationship between insurance and economic growth. The study found a positive relationship between insurance and economic growth. Results showed that, for developed countries, life insurance has a positive and significant relationship with economic growth, for developing nations, non-life insurance is more important in fostering economic growth. Peleckienė, Peleckis, Dudzevičiūtė, and Peleckis (2019) found a positive relationship between insurance and economic growth. According to descriptive statistics research, the insurance industry is developing more rapidly in economically developed nations like the UK, the Netherlands, Denmark, Finland, Ireland, and France. The insurance industries are the least developed in Romania, Bulgaria, Latvia, and Estonia. Moreover, these nations fall under the category of very low economic development.

Senol, Zeren, and Canakci (2020) found that there is mutual causality and a unidirectional relationship between life insurance activity and economic growth causality from economic growth to non-life insurance. The study concludes that non-life insurance business, life insurance business promotes more economic growth in the long term and with regular resources that it offers. Apergis and Poufinas (2020) showed that gross operating and claims payments are significantly and favourably correlated with economic growth. The study found that gross premium and insurance penetration are also significantly and favourably associated

with economic growth supported by the data. The study concludes that the positive and statistically significant effects of insurance on gross capital creation, government spending, secondary education, FDI inflows, trade openness, and financial development.

3. Materials and Methods

3.1. Types and Source of Data

This study is based on the secondary data. Secondary data and information collected from research papers, articles, magazine, and conference papers and websites. Corporate social responsibility initiatives information collected from companies CSR reports and annual reports.

3.2. Technique of Data Analysis

This study is comprehensive descriptive study. Secondary information has been analysing for preparing the paper. The study used content analysis for CSR initiatives. In the analysis, six parameters have been taken and if the parameter has been fulfilled by, the sampled unit then Y (Yes) has been assigned to company and if it is not fulfilled then N (No) has been assigned. Then the total points gathered by the company at the end of year have been calculated for all the selected public sector units for this research work.

4. Results and Discussion

For the study to achieve its objective, data was taken from secondary sources includes research papers, articles, and various academic source. The result indicate that the insurance sector in India is crucial for economic growth by promoting financial stability, encouraging savings and investments, generating employment, and supporting infrastructure development and social security. CSR initiatives have a profound impact on companies by enhancing their reputation, improving employee engagement, driving operational efficiencies, managing risks, differentiating them in the market, attracting investors, strengthening community relations, promoting long-term sustainability.

4.1. Role of Insurance Sector in India

(1). *Promote economic growth.* By mobilizing family savings, the insurance business has a considerable influence overall economy. Insurance transforms collected cash into profitable ventures. Insurance also allows for the reduction of losses, financial stability, and the promotion of trade and commerce operations, all of which contribute to long-term economic growth and development.

(2). *Generate long-term financial resources.* The insurance sector generates money through premiums from millions of policyholders. Due to the long-term nature of these funds, they are invested in the creation of long-term infrastructures assets that are vital for nation-building. Large investments increase employment opportunities, which lead to capital formation in the economy.

(3). *Spread risk.* Insurance facilitates the transfer of the risk of loss from the insured to the insurer. The basic principles of insurance are to spread the risk among a large number of people. A large population takes insurance policies and pays premiums to the insurer. Whenever there is a loss, it is compensated from the funds collected from the funds collected from lakhs of policyholders.

(4). *Employment generations.* Employment opportunities are offered by the insurance sector. Individual agents have grown in number. 503 Corporate Agents were employed by the life insurance sector as of March 31, 2015, bringing the new business premium for FY16 to \$1.38 trillion, up from \$1.13 trillion in the prior fiscal year. The New business premium for private insurers in the year was \$40,983 crore compared to the previous fiscal year's 34,840 crore last year. The Union Budget 2016–17 includes many changes for the insurance and pensions sector, including one to permit up to 49% of automatic foreign investment in the insurance industry. There were 2.59 crore new individual policies issued in 2014–15. Other job options are offered through brokers, corporate representatives, and training facilities.

(5). *Insurance contributes to Indian GDP.* GDP is one of the most significant macroeconomic measures, and insurance helps to boost it. The size of the GDP is used to gauge each nation's degree of development. Individuals can select from a range of insurance plans that insurance companies offer. The insurance industry uses these premiums for its financial and investing activities.

4.2. Economics Growth in India

The life insurance sector is anticipated to grow between 2019 and 2023 at a CAGR of 5.3%. In FY21, India had a 4.2% insurance penetration rate, with 1.0% of non-life insurance and 3.2% of life insurance. But in 2023, India's insurance premium penetration accounted for 4% of the GDP, with life insurance making up 3% and non-life insurance comprising 1%. India ranked 78th out of 190 countries in terms of insurance density in FY21. By FY31, it is anticipated that life insurance premiums in India will total Rs. 24 lakh crore (US\$ 317.98 billion). The premiums from new businesses of life insurance firms in India totaled US\$ 25.3 billion in FY23 (through October 2022).

Data from the Life Insurance Council show that in October 2022, new business premiums for life insurers reached Rs. 15,920.13 crores (\$1.94 billion). Life insurers' total first-year premiums grew by 12.93% in 2021–2022. Gross premiums written off by non-life insurers between April 2021 and March 2022 were Rs. 220,772.07 crore (US\$ 28.14 billion), an increase of 11.1% over the same period in FY 21. The non-life insurance segment's total premium revenue in May 2022 was Rs. 36,680.73 crore (US\$ 4.61 billion), up 24.15% from the same month the year before. From 48.03% in FY20 to 49.31% in FY21, the market share of private sector businesses in the market for general and health insurance grew.

In May 2021, six independent private sector health insurance firms reported an increase in gross premium of 66.6%, reaching Rs. 1,406.64 crore (US\$ 191.84 million), up from Rs. 844.13 crore (US\$ 115.12 million) month prior. S&P Global Market Intelligence data revealed that, India is the second-largest insurance technology market in Asia-Pacific, with 35% of Insurtech-focused venture investments made in the country. The insurance sector in India is poised for growth, but challenges in penetration and risk awareness must be addressed (IBEF, 2024). Figure 1 shows the insurance density.

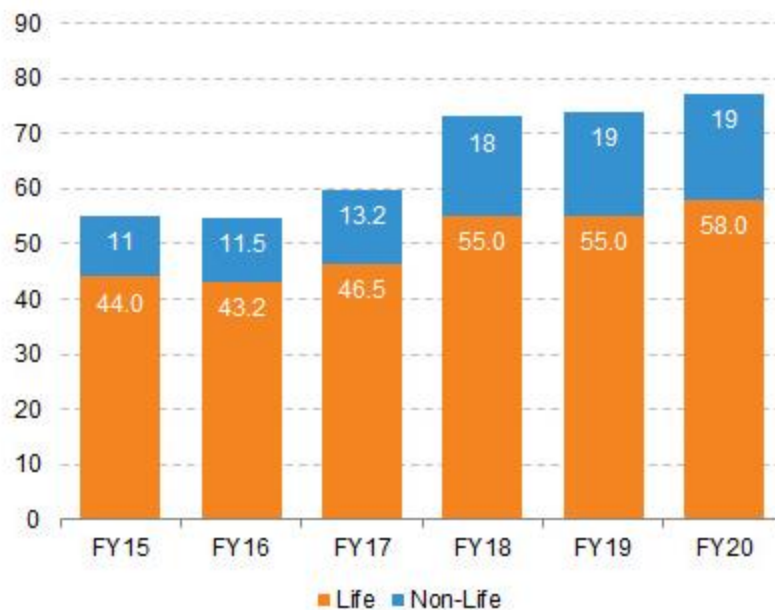


Figure 1. Insurance density (premiums per capita) (US\$)
Source: IBEF, 2024.

4.3. Relationship between Insurance Sector and Economic growth

The insurance industry is one of the most significant ones in the services sector. The financial system cannot function without insurance companies. The creation of state budgets is also significantly influenced by insurance companies. They are significant state taxpayers. We are all aware that a sizable portion of the state budget comes from taxes. As a result, preserving the stability of the tax and financial systems is crucial for the insurance business. When premiums are not used to cover claims or other operational costs, insurance firms frequently invest unused funds. Via stock, corporate and government bonds, and real-estate mortgages, these investments typically support the construction of new buildings and provide other essential support to economic development initiatives around the nation. The monthly rates that people and corporations must pay are only one small aspect of insurance.

With a strong economy, the insurance industry as a whole plays a crucial role. The economy can benefit in the long run by helping firms reduce risk, just like it does for



customers. The economic system is supported by insurance. Unexpected setbacks can cause businesses and customers alike to experience financial difficulty. One of the most powerful financial resources available to businesses to assist them in handling a calamity is insurance (Ul Din, Abu-Bakar, Regupathi, & McMillan, 2017). Also, when an employee gets wounded at work, the company's insurance helps to pay for both the expense of the person's care and any potential wage loss. The expansion of a business is assisted by business insurance as well.

Verma & Bala (2013), at fundamental level, stated that insurance offers a protective safety enabling businesses to take on higher-risk, higher-return activities than they otherwise would. Customers are frequently unconscious of the daily barrage of risk and uncertainty because they are so used to the routine. Whether it's a vehicle accident, a house fire, and flooded basement after a large storm, or a job injury, unforeseen difficulties can happen at any time. Insurance may help handle the uncertainty and probable loss by providing critical financial protection. An insurance policy can assist customers in obtaining the funds they want in the event of a catastrophe. Without insurance, many people in these situations would face financial hardship and may even go bankrupt. The insurance sector is one of the primary economic players and a contributor to global economic growth. This is because they are among the safest investments one can make and contribute to the efficient operation of the global economy by paying insurance claims. Table 1 analyses investments and recent developments in insurance sector in India according to market growth, industry collaborations, mergers and acquisitions, performance metrics, regulatory changes, and market projections.

Table 1. Investments and recent developments in insurance sector in India

Market growth	Industry collaborations	Mergers and acquisitions	Performance metrics	Regulatory changes	Market projections
According to a Swiss Re study, India is projected to be the 10th largest insurance market globally and the second largest among emerging markets in 2024, with a 1.9% share in total premium volumes in USD. By 2032, India is expected to become one of the top six insurance markets worldwide, although it may only account for 4% of global premiums in USD.	ICICI Lombard and Airtel Payments Bank: Launched a cyber insurance product in February 2022. PhonePe: Received preliminary approval from IRDAI in August 2021 to act as a broker for life and general insurance products, enabling it to offer insurance services to its over 300 million users.	HDFC Life Insurance Acquired a 100% stake in Exide Life Insurance in November 2021, strengthening its position in South India.	LIC: Recorded a record first-year premium income of Rs. 56,406 crore (US\$ 7.75 billion) in FY21, a 10.11% increase from the previous year.	FDI Cap Increase: The Union Budget 2021 raised the FDI cap in insurance from 49% to 74%. Digital Insurance Policies: IRDAI announced the issuance of digital insurance policies via Digi-locker.	Future Value: The Indian insurance industry is projected to be worth US\$ 222 billion by 2026. Innovative solutions: The sector is expected to introduce customized and innovative solutions to meet evolving market demands and increase insurance penetration in India

Source: IBEF, n.a.

4.4. CSR in Insurance Sector

Corporate Social Responsibility in India has traditionally been seen as a philanthropic activity. India was the first country to make Corporate Social Responsibility (CSR) mandatory for companies that meet certain criteria. Under Section 135 of Companies Act, a company with a net worth of 500 crore, turnover 1000 crore and net profit 5 crore or more, to spend two per cent of its average annual profit over last three years on CSR. India is the only country globally that mandates both spending and reporting on CSR obligations.

The Companies Act and its subsequent amendments have also clarified the scope of activities for which 2% funding can be utilised. Schedule VII of companies' act 2013 provides



a comprehensive framework for companies to engage in CSR activities. Schedule VII of companies' act 2013 specifies the different activities that can be undertaken by companies as CSR activities by applying a portion of its profits. In addition, there is a conscious effort to ensure that the corporate social CSR legislation is in line with India's commitment to the UN-SDGs.

The insurance sector in India is regulated by IRDAI (Insurance Regulatory Development Authority of India, 1999). IRDAI has identified insurance firm's commitment to community and society as per the obligation of insurers Rural and Social Sector Rules 2015 by proposing an obligation towards community and society. The Companies Act, 2013 also plays a crucial role in CSR for insurance companies and other firms. Schedule VII company act 2013 provides a list of activities, which companies can contribute their funds, these activities include initiatives in areas like education, healthcare, poverty alleviation, and rural development, directly impacting the society and communities in which the companies operate (General Circular No. 21/2014..., n.a.). Table 2 shows corporate social responsibility initiatives taken by top 10 insurance companies in India.

Table 2. Corporate social responsibility initiatives taken by top 10 insurance companies in India*

Company name	Education	Healthcare and sanitation	Environment sustainability	Skill development	Insurance awareness	Financial inclusion
Life Insurance corporation of India	Y	Y	Y	Y	Y	Y
HDFC Life Insurance	Y	Y	Y	Y	Y	Y
SBI Life Insurance	Y	Y	Y	Y	Y	Y
Max Life Insurance	Y	Y	Y	Y	Y	Y
ICICI Prudential LIFE INSURANCE	Y	Y	Y	Y	Y	Y
PNB met Life Insurance	Y	Y	Y	Y	Y	Y
Bajaj Allianz Life insurance	Y	Y	Y	Y	Y	Y
Tata AIA life Insurance	Y	Y	Y	Y	Y	Y
Aditya Birla Sun life insurance	Y	Y	Y	Y	Y	Y
Canara HSBC life insurance	Y	Y	Y	Y	Y	Y

Source: www.csr.reports

* Y means YES

5. Conclusions

The results of this study may serve as a valuable source of direction for policymakers in the insurance sector. The insurance industry not only safeguards people and businesses from a variety of potential risks, but it also makes a significant contribution to the country's overall economic expansion by ensuring the smooth operation of commercial enterprises and generating long-term funding for industrial projects. Together with other things, the insurance industry creates jobs for millions of people and promotes the value of saving, especially in countries like India, where both savings and employment are significant. Policies should be created to assist the development of the insurance business since insurance encourages economic growth. The nation's economic growth is aided by insurance by provides both direct and indirect job possibilities. Along with normal coverage, many insurance policies provide savings and investing options. These help in building wealth/savings for the future through regular investments. We pay premiums regularly and a portion of the same goes towards life coverage while the other portion goes towards either a savings plan or an investment plan, whichever you choose based on your future goals and needs. Without insurance, recovering from a significant loss of inventory will be quite expensive for firms. A family's or a business's financial situation may be impacted by natural disasters, accidents, theft, or break-ins. Families and companies can recover quickly when a significant portion of the losses are covered by insurance.



5.1. Limitation and Future Scope

(1) Firstly, only 10 companies were included in the sample. Therefore, due to the non-inclusion of small companies, that operates on a different scale and has distinct CSR strategies, the results of the final study cannot be generalized.

(2) Future research scopes, to study the CSR initiatives and its impact on financial performance of insurance industry in India.

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