



“IMPACT OF INSURANCE SECTOR REFORMS ON FINANCIAL INCLUSION: A STUDY WITH SPECIAL REFERENCE TO THIRTHAHALLI.”

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ABSTRACT

The insurance sector plays a vital role in promoting financial security and economic stability in a developing country like India. Over the years, significant reforms in the Indian insurance sector, such as liberalization, privatization, technological advancement, and regulatory strengthening by the Insurance Regulatory and Development Authority of India, have enhanced insurance penetration and accessibility among different sections of society. These reforms aim to promote financial inclusion by extending insurance services to rural and semi-urban populations.

The present study examines the impact of insurance sector reforms on financial inclusion with special reference to Thirthahalli Taluk. The study focuses on assessing the level of awareness, accessibility, and utilization of insurance services among residents and evaluates how insurance coverage contributes to financial protection and economic well-being. Both primary and secondary data are used for analysis, with primary data collected through a structured questionnaire from policyholders in the study area. The findings offer valuable recommendations for improving insurance awareness, enhancing accessibility of insurance services, strengthening financial literacy, and promoting greater financial inclusion among rural households.

- **Keywords:** • Insurance Sector Reforms ,Financial Inclusion, Insurance Accessibility.

1. INTRODUCTION.

The insurance sector plays a vital role in promoting financial stability, risk protection, and economic growth. In India, major reforms were introduced after the establishment of the Insurance Regulatory and Development Authority of India (IRDAI) in 1999. These reforms opened the sector to private players, increased foreign direct investment (FDI), improved regulatory frameworks, and promoted innovative insurance products. Insurance sector reforms aim to enhance penetration, promote competition, protect policyholders, and ensure financial inclusion. Financial inclusion refers to providing affordable financial services including insurance to all sections of society, especially rural and economically weaker sections. Thirthahalli, a semi-rural region in Shivamogga district of Karnataka, presents an important case to examine

how insurance reforms have influenced access, awareness, and adoption of insurance services at the grassroots level.

2. REVIEW OF LITERATURE.

- **Ravi Rakesh Singh & Vishal R. Tomar (2024)** made a study on “**A Study of Enhancing Financial Inclusion: The Role of Insurance Sector in India**”

A Global Journal of Humanities, in their study, they described the research analyzes how extending insurance services to rural and semi-urban populations can strengthen financial inclusion and contribute to inclusive growth.

- **Sabrina Cheraga (2024)** made a study on “**Micro insurance as a Tool for Enhancing Financial Inclusion in the Insurance Industry – A Study of the Life Insurance Sector in India.**”

International Journal of Professional Business Review

This study examines the role of Micro insurance in expanding financial inclusion in India’s life insurance sector and analyzes trends from 2019 to 2023, highlighting challenges like low awareness and financial literacy.

3. STATEMENT OF THE PROBLEM.

The insurance sector in India has undergone several reforms to promote efficiency, competition, and financial inclusion. Despite these initiatives, insurance penetration remains unsatisfactory and many people are still uninsured or underinsured. Lack of awareness, affordability issues, and limited understanding of insurance products affect participation. It is unclear whether the benefits of reforms have effectively reached all sections of society. Therefore, this study examines the impact of insurance sector reforms on financial inclusion with special reference to Thirthahalli.

4. OBJECTIVES OF THE STUDY.

1. To examine the major reforms in the Indian insurance sector.
2. To analyze the role of insurance reforms in promoting financial inclusion.
3. To assess the level of awareness and adoption of insurance products in Thirthahalli.
4. To identify challenges faced by people in accessing insurance services.
5. To suggest measures to improve insurance penetration in the study area.

5. SCOPE OF THE STUDY.

The study examines the impact of insurance sector reforms on financial inclusion with special reference to Thirthahalli. It covers life, health, and general insurance and analyzes awareness, accessibility, and utilization of insurance services.

6. RESEARCH METHODOLOGY

- **Primary Data:** Collected through structured questionnaires and interviews with policyholders and insurance agents in Thirthahalli.
- **Secondary Data:** Collected from IRDAI reports, journals, books, government publications, and websites.

7. SAMPLING DESIGN

The present study is based on a sample of 60 policyholders from Thirthahalli. The required data for the study were collected through a structured questionnaire.

8. HYPOTHESIS OF THE STUDY

- **Null Hypothesis (H₀)**

H₀: Insurance sector reforms have **no significant impact on financial inclusion** in Thirthahalli.

- **Alternative Hypothesis (H₁)**

H₁: Insurance sector reforms have a **significant impact on financial inclusion** in Thirthahalli.

9. CONCEPT OF INSURANCE SECTOR REFORMS AND FINANCIAL INCLUSION

Insurance sector reforms refer to changes and improvements made by the government and regulatory authorities to develop the insurance industry, increase efficiency, encourage competition, and expand insurance services to more people.

In India, major reforms started after the **liberalization of the economy in 1991**. The government introduced reforms based on the recommendations of the **Malhotra Committee (1994)** to modernize the insurance sector.

These reforms led to:

- **Opening the insurance sector to private companies**
- **Allowing foreign direct investment (FDI)** in insurance companies
- Establishment of the **Insurance Regulatory and Development Authority of India (IRDAI)** to regulate the industry
- Introduction of new insurance products and digital services
- Expansion of insurance coverage in rural and semi-urban areas

Financial Inclusion in Insurance

Financial inclusion in insurance refers to the process of providing affordable, accessible, and appropriate insurance services to all sections of society, especially low-income groups, rural populations, and economically weaker sections who are usually excluded from formal financial systems.

Insurance inclusion ensures that people can protect themselves from financial risks such as illness, accidents, death, crop failure, property loss, and natural disasters without falling into poverty.

10. ANALYSIS OF RESPONDENTS' DEMOGRAPHIC PROFILE AND ACCESS TO LIC POLICY

The survey conducted in Thirthahalli reveals important demographic characteristics of the respondents and their accessibility to insurance services. The analysis shows that the majority of respondents belong to the age group of 18 to 35 years. The study shows that majority of the policyholders are female, indicating increasing financial participation of women. Most respondents have a monthly income between ₹20,000 and ₹40,000. The LIC Jeevan Utsav plan is the most preferred policy among respondents. A majority of respondents came to know about insurance policies through LIC agents.

The occupational distribution of respondents includes housewives, and students. Housewives generally depend on family members for financial decisions, while students represent the younger generation who are becoming increasingly aware of financial services.

Despite the growth of the insurance sector after reforms such as liberalization, the recommendations of the Malhotra Committee, the establishment of IRDAI, and the increase in FDI, some respondents reported difficulty in accessing LIC policies. The main reasons include lack of detailed information, procedural complexities, and limited interaction with insurance agents in certain areas. Therefore, the analysis indicates that although insurance sector reforms have improved the availability of insurance services, there are still challenges in accessibility and awareness at the local level. Strengthening financial literacy programs and simplifying insurance procedures can help improve insurance penetration and promote financial inclusion in areas like Thirthahalli.

The **calculated Chi-square value ($\chi^2 = 17.5$) is greater than the table value ($\chi^2 = 5.991$) at 5% level of significance with 2 degrees of freedom.**

Therefore, the **null hypothesis (H_0) is rejected** and the **alternative hypothesis (H_1) is accepted**.

This indicates that insurance sector reforms have a significant impact on financial inclusion in Thirthahalli. The reforms such as liberalization (LPG era), Malhotra Committee recommendations, establishment of IRDAI, and increase in FDI have contributed to improving awareness, accessibility, and participation in insurance services among the respondents. Thus, insurance sector reforms play an important role in

promoting financial inclusion by expanding insurance coverage and providing financial protection to different sections of society.

11. FINDINGS OF THE STUDY

1. The study reveals that majority of the respondents are female, and most of them belong to the age group of 18–35 years. Most respondents belong to families with a monthly income between ₹20,000 and ₹40,000, and many of them are degree holders. The major occupations of respondents are housewives, agriculture workers, and students.
2. It is found that most respondents came to know about insurance policies through LIC agents, showing the important role of agents in spreading awareness.
3. The study indicates that the insurance sector has become more digitalized, with facilities like online services and customer portals provided by LIC.
4. Most respondents prefer guaranteed and traditional plans rather than additional or complex plans.
5. The study also shows that the number of policies purchased is less, but the insured amount is comparatively higher.
6. Life Insurance policies, especially LIC policies, are the most preferred insurance products among the respondents because people consider them safe and trustworthy.
7. Insurance sector reforms such as LPG policies, Malhotra Committee recommendations, establishment of IRDAI, and increase in FDI have helped in expanding the insurance sector and improving financial inclusion.
8. The reforms have increased the availability of insurance services and improved competition among insurance companies, leading to better products and services.
9. Some respondents reported difficulties in accessing LIC policies due to complicated procedures, insufficient guidance from agents, and limited information about different insurance schemes.
10. Overall, the study finds that insurance sector reforms have positively contributed to financial inclusion, by introducing digital services, online premium payment, and customer portals, making insurance services more accessible to people.
11. The introduction of various guaranteed and affordable insurance plans helps middle-income groups to access insurance protection and savings benefits.
12. However, the study also finds that low education levels and lack of awareness reduce insurance penetration, indicating that more awareness programs are needed to achieve better financial inclusion.
13. Nowadays people prefer investing in gold and other securities rather than insurance policies due to better returns.

12. SUGGESTIONS.

1. **Increase Awareness Programs:** Insurance companies and the government should conduct awareness programs, seminars, and campaigns to educate people about the importance and benefits of insurance for financial security.
2. **Improve Financial Literacy:** Special efforts should be made to improve financial literacy among **low educated and rural people** so that they can understand different insurance schemes and participate in them.
3. **Simplify Insurance Procedures:** Insurance companies should simplify policy procedures and documentation to make it easier for people to access and purchase insurance policies.
4. **Strengthen the Role of Agents:** LIC agents and insurance advisors should provide clear guidance and proper information about different insurance plans to customers.
5. **Promote Digital Services:** More efforts should be made to promote digital platforms, online premium payment, and customer portals, making insurance services more convenient and accessible.
6. **Design Attractive and Flexible Plans:** Insurance companies should introduce more flexible and customer-friendly insurance plans with better benefits to compete with other investment options like gold and securities.
7. **Encourage Youth Participation:** Since many respondents belong to the 18–35 age group, insurance companies should design special plans targeting young investors.
8. **Focus on Middle-Income Groups:** Affordable and suitable insurance products should be designed for middle-income families to increase insurance coverage.
9. **Strengthen Financial Inclusion Policies:** The government and regulatory bodies should continue reforms to expand insurance services in rural and semi-urban areas.
10. **Promote Insurance as a Protection and Investment Tool:** Efforts should be made to highlight that insurance provides both financial protection and long-term savings, encouraging people to invest in insurance along with other financial instruments.

13. CONCLUSION.

The study concludes that insurance sector reforms have played an important role in expanding insurance services and improving financial inclusion. The study also reveals that the insurance sector has become more digitalized with the introduction of online Overall, the study concludes that insurance sector reforms have positively contributed to financial inclusion by improving accessibility, increasing product availability, and strengthening the insurance market. However, greater awareness, financial literacy, and simplified procedures are necessary to further enhance insurance coverage and achieve inclusive financial growth. services and customer portals, which has made insurance services more accessible and convenient. Life insurance policies, especially those offered by LIC, are widely preferred due to their safety and reliability. However, challenges such as low awareness, lower participation of less educated people, and preference for other investment options like gold and securities still affect insurance penetration.

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