A Study on Insurance and Banking as Catalysts of Economic Growth in India

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ABSTRACT

This study investigates the role of the banking and insurance sectors as catalysts of economic growth in India over the period FY2019-20 to FY2023-24, using exclusively verified secondary data drawn from the Reserve Bank of India (RBI) Financial Stability Reports, Insurance Regulatory and Development Authority of India (IRDAI) Annual Reports, the World Bank World Development Indicators (WDI), the Government of India Economic Survey, and the Swiss Re Institute Sigma Reports. The study integrates descriptive trend analysis with Pearson product-moment correlation analysis to examine bivariate associations between key financial sector indicators and real GDP growth. The analysis documents that India's insurance density rose consistently from USD 78 per capita in FY2019-20 to USD 95 in FY2023-24, while insurance penetration (as a percentage of GDP) peaked at 4.20 per cent during the pandemic years FY2020-21 and FY2021-22 before moderating to 3.70 per cent in FY2023-24 — a pattern driven partly by mechanical GDP-ratio effects. Gross bank credit expanded from ₹103.71 lakh crore in FY2019-20 to ₹164.35 lakh crore in FY2023-24, while the gross non-performing asset (GNPA) ratio of scheduled commercial banks fell from 8.2 per cent in March 2020 to a twelve-year low of 2.8 per cent in March 2024. Pearson correlation analysis reveals a moderate-to-strong positive association between insurance density and GDP growth ($r = 0.825$, $n = 5$), and a strong negative association between insurance density and the GNPA ratio ($r = -0.925$, $p = 0.024$), indicating that improvements in banking sector asset quality and expansions in absolute insurance coverage move together with economic output growth. The study explicitly acknowledges the severe limitation of five annual observations, cautions against causal inference, and recommends future research employing longer time series and advanced econometric methods.

Keywords: Insurance penetration; Insurance density; Banking sector; GNPA ratio; Economic growth; Financial intermediation; Pearson correlation; India; IRDAI; RBI

INTRODUCTION

The relationship between financial sector development and long-run economic growth is one of the most extensively investigated themes in development economics. Seminal theoretical contributions by Schumpeter (1911) established the primacy of financial intermediaries in channelling capital toward entrepreneurially productive activities. Endogenous growth models formalised this view by treating financial depth as a determinant of total factor productivity and the efficiency of capital allocation (King & Levine, 1993; Levine, 1997). The empirical consensus from cross-country studies confirms that countries with deeper financial institutions—measured by the scale and efficiency of banking and insurance sectors—tend to record faster and more stable economic growth (Beck, Levine, & Loayza, 2000; Arena, 2008). India provides a particularly important case for examining this relationship. Since the liberalisation reforms of 1991 and the opening of the insurance sector to private participation in 2000, India's financial system has been reshaped by regulatory modernisation, digital transformation, and large-scale financial inclusion initiatives. The banking sector has undergone a remarkable improvement in asset quality: the gross non-performing asset (GNPA) ratio of scheduled commercial banks fell from a peak of 11.5 per cent in March 2018 to 2.8 per cent in March 2024 — a twelve-year low confirmed by the RBI's 29th Financial Stability Report (Reserve Bank of India, 2024b). Concurrently,

India's insurance sector has expanded rapidly, though insurance penetration at 3.70 per cent of GDP in FY2023-24 (IRDAI, 2024) remains well below the global average of approximately 7 per cent (Swiss Re Institute, 2023). Despite a growing body of literature on finance-growth linkages, a number of gaps persist. India-specific studies often rely on short time series or purely qualitative analysis. The joint roles of banking and insurance as complementary growth catalysts are insufficiently integrated. And quantitative analysis using verified annual indicator data for the post-COVID period (FY2019-20 to FY2023-24) — encompassing both the pandemic contraction and the robust post-pandemic recovery — has been limited.

The present study addresses these gaps by (i) assembling a five-year dataset of fully verified, source-traceable annual indicators; (ii) providing structured tabular presentation of insurance and banking sector performance data; and (iii) applying Pearson correlation analysis to examine bivariate associations between insurance density, GNPA ratios, and GDP growth, while explicitly acknowledging the inferential constraints imposed by a small sample. The paper is organised as follows: Section 2 provides a critically synthesised literature review. Section 3 describes data sources and methodology. Section 4 analyses sectoral performance through verified data tables and structured trend discussion. Section 5 presents the quantitative analysis. Section 6 derives policy implications. Section 7 concludes with limitations and future research directions.

REVIEW OF LITERATURE

Financial Development and Economic Growth: Theoretical Foundations

The theoretical foundations of the finance-growth nexus trace to Schumpeter (1911), who argued that well-functioning financial intermediaries are indispensable for productive innovation by directing credit toward entrepreneurs with the highest economic potential. This supply-leading hypothesis contrasted with Robinson's (1952) demand-following view, which treats financial development as a passive response to real sector growth. Contemporary scholarship has largely reconciled these positions, documenting bidirectional causality that varies across countries and development stages. King and Levine (1993) provided the first large-scale empirical test of the finance-growth nexus across 77 countries, demonstrating that indicators of financial intermediary development are significant predictors of subsequent long-run economic growth, capital accumulation, and productivity improvement. Levine (1997) synthesised this evidence by identifying five core functions of finance — mobilising savings, allocating resources, managing risk, monitoring managers, and facilitating exchange — and showing that these functions translate into measurable growth effects. Beck, Levine, and Loayza (2000) established that the primary mechanism operates through total factor productivity rather than capital accumulation alone, a finding with direct implications for the insurance channel, which works primarily through long-term savings mobilisation and productive asset allocation.

Levine, Loayza, and Beck (2000) confirmed the causal direction using instrumental variable and GMM panel estimators, demonstrating that financial intermediation exerts a causal influence on growth that is robust to reverse causality concerns. This methodological rigour provides the empirical foundation for subsequent country-specific and sector-specific studies, including the present work.

Banking Sector Development and Economic Growth

Banks contribute to economic growth through deposit mobilisation, credit allocation, maturity transformation, risk assessment, and payment facilitation. Goldsmith (1969) documented the cross-country association between financial structure and economic development, while McKinnon (1973) identified financial repression as a binding constraint on growth, establishing the theoretical case for interest rate liberalisation and financial deepening. Demirgüç-Kunt and Levine (2008) extended this literature by arguing that banking system stability and regulatory quality are critical preconditions for sustained growth, particularly in emerging markets characterised by limited capital market development. In the Indian context, the RBI's Report on Trend and Progress of Banking (2022) documents that the banking sector's sustained improvements in asset quality — driven by regulatory measures under the Insolvency and Bankruptcy Code, enhanced credit monitoring, and improved provisioning practices — have been a key structural enabler of credit expansion and economic growth. The GNPA ratio's decline from 8.2 per cent in March 2020 to 2.8 per cent in March 2024 represents one of the most significant improvements in Indian banking sector health in more than a decade, with direct implications

for credit supply capacity (Reserve Bank of India, 2024b). A critical gap in existing literature is the limited treatment of asset quality dynamics — specifically the GNPA trajectory — as a quantitative moderator of the bank credit-growth relationship.

Insurance Sector and Economic Growth

The insurance sector contributes to macroeconomic growth through three principal channels: risk transfer, which enables households and firms to undertake higher-value investments; long-term savings mobilisation, through which contractual savings are directed into productive capital formation; and financial system deepening, wherein insurance markets reduce the cost of capital by expanding risk mitigation instruments. Outreville (1990) provided the foundational empirical demonstration that insurance market size is positively and significantly associated with economic development across 55 developing countries. Arena (2008), using a panel of 55 countries over 1976-2004, confirmed that both life and non-life insurance activity promote economic growth, with life insurance exerting the stronger effect through its impact on long-term capital formation.

Haiss and Sümegi (2008), examining 29 European countries, documented that the growth impact of insurance varies with the level of economic and institutional development, suggesting nonlinearities relevant to the Indian context, where penetration remains below global benchmarks. Browne and Kim (1993) identified income per capita, financial development, dependency ratio, and institutional quality as significant determinants of insurance demand — variables that have improved substantially in India over the past decade, providing a structural foundation for continued insurance sector expansion. Adams, Andersson, Andersson, and Lindmark (2009), drawing on 168 years of Swedish data, demonstrated that commercial banking and insurance develop jointly and reinforce each other's growth-promoting functions, a finding directly relevant to India's bancassurance framework.

A methodological limitation in much cross-country insurance-growth literature, noted but rarely addressed, is the susceptibility of ratio-based penetration measures to mechanical fluctuations when GDP contracts sharply. During the COVID-19 pandemic in FY2020-21, India's GDP contracted by 5.78 per cent while nominal insurance premium volumes held relatively stable, mechanically pushing the penetration ratio upward to 4.20 per cent. This paper explicitly identifies and accounts for this distortion.

Indian Evidence and Critical Research Gaps

India-specific studies broadly corroborate the global finance-growth nexus. Dutta and Sengupta (2011) documented post-liberalisation efficiency improvements in Indian life insurance using data envelopment analysis. The RBI's Financial Stability Reports (2020 through 2024) consistently document the relationship between banking sector health, credit availability, and economic performance. IRDAI Annual Reports (2020 through 2024) confirm steady growth in insurance density and the expanding role of bancassurance in improving financial inclusion outreach.However, three substantive research gaps remain: first, existing India-focused studies rarely integrate banking and insurance indicators in a joint quantitative framework with explicitly verified data; second, the study period in most analyses predates the extraordinary FY2021-22 recovery from the COVID contraction; and third, the pandemic-induced distortion in penetration ratios has not been addressed through sensitivity analysis. This study addresses all three gaps, while being fully transparent about the constraints imposed by a five-year data series on statistical inference.

DATA AND METHODOLOGY

Data Sources and Verification

All data used in this study are drawn from the following official, publicly accessible, and internationally recognised sources. Every indicator is traceable to its source:

[Source A] World Bank World Development Indicators (WDI): Real GDP growth rate (annual %, 2011-12 constant prices). Accessible at: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN.

Data from MoSPI's National Accounts Statistics under the 2011-12 base year series are confirmed at https://statisticstimes.com/economy/country/india-gdp-growth.php.

[Source B] IRDAI Annual Reports (FY2019-20 through FY2023-24): Insurance penetration (total premium as % of GDP) and insurance density (per capita premium in USD). Accessible at https://irdai.gov.in. The FY2023-24 figures (penetration 3.70%, density USD 95) are confirmed by the IRDAI's own press statements and reported in the Business Standard (25 December 2024). Global benchmarks are from Swiss Re Institute Sigma (No. 4/2023), https://www.swissre.com/institute/research/sigma-research/sigma-2023-04.html.

[Source C] RBI Financial Stability Reports (Issues 20–29, 2020–2024): GNPA ratio (gross non-performing assets as a percentage of gross advances of scheduled commercial banks), Net NPA ratio, Capital Adequacy Ratio (CRAR), Return on Assets (RoA), and Return on Equity (RoE). Accessible at https://www.rbi.org.in/Scripts/FsReports.aspx. The March 2024 GNPA of 2.8% is confirmed as a twelve-year low by the RBI's 29th FSR (June 2024), reported by Business Standard (27 June 2024).

[Source D] Government of India, Economic Survey 2023-24, Statistical Appendix, Table 3.2: Gross Bank Credit of Scheduled Commercial Banks (₹ Lakh Crore) and non-food credit growth rates. Accessible at https://www.indiabudget.gov.in/budget2024-25/economicsurvey/doc/stat/tab32.pdf.

Study Period

The study covers FY2019-20 through FY2023-24, a five-year period that encompasses the pre-COVID slowdown (FY2019-20), the pandemic contraction (FY2020-21), and three years of post-pandemic recovery and expansion (FY2021-22 through FY2023-24). This period was selected because verified annual data from all four source categories are available for all five years.

The authors acknowledge that a five-year dataset severely limits the statistical power of quantitative analysis, and all results are therefore interpreted as indicative descriptive associations only, not causal or structural estimates. The choice of this period is explicitly motivated by data verifiability rather than analytical convenience.

Methodological Approach

The study employs a two-stage framework. In the first stage, descriptive trend analysis documents performance trajectories and structural turning points for each sector using tabulated verified data. In the second stage, Pearson product-moment correlation coefficients are computed for all pairs of the four key variables: real GDP growth, insurance penetration, insurance density, and GNPA ratio. Pearson correlation is appropriate given the continuous nature of all variables and the objective of assessing bivariate linear association direction and strength.

A sensitivity analysis is conducted by re-estimating correlations excluding FY2020-21, the COVID-19 pandemic year, to isolate the mechanical distortion in ratio-based penetration measures that arises from GDP contraction.

The study is explicit that with $n = 5$ observations, no correlation attains conventional statistical significance thresholds with adequate power; the one statistically significant result (insurance density × GNPA, $p = 0.024$) reflects the extraordinary collinearity of these variables across this period and should be treated with appropriate caution. All computations are performed in Python 3 (SciPy 1.11) and verified manually using standard formulas.

Sectoral Analysis

Consolidated Verified Dataset

Table 1 presents the complete verified dataset for the study period. Each data point is attributable to the primary source indicated in the column header.

Table 1: India — Verified Key Financial Sector and Macroeconomic Indicators, FY2019-20 to FY2023-24

Financial Year	Real GDP Growth (%) [Source A]	Insurance Penetration (% of GDP) [Source B]	Insurance Density (USD per capita) [Source B]	GNPA Ratio – SCBs (%) [Source C]	Gross Bank Credit (₹ Lakh Crore) [Source D]
FY2019-20	3.87	3.76	78	8.2	103.71
FY2020-21	−5.78	4.20	78	7.3	109.50
FY2021-22	9.69	4.20	91	5.9	118.91
FY2022-23	7.61	4.00	92	3.9	136.75
FY2023-24	9.19	3.70	95	2.8	164.35

Source A: World Bank WDI / MoSPI (2011-12 base). Source B: IRDAI Annual Reports. Source C: RBI Financial Stability Reports. Source D: Economic Survey 2023-24, Table 3.2. Note: Real GDP growth for FY2023-24 (9.19%) represents the World Bank estimate using the 2011-12 price base; MoSPI's subsequent 2022-23 base series gives 7.2% for the same year. Both figures are official. The GDP contraction of −5.78% in FY2020-21 was confirmed by MoSPI and is the deepest since 1979-80.

Insurance Sector Performance

Table 2 presents detailed insurance sector indicators sourced from IRDAI Annual Reports. Global benchmarks are from the Swiss Re Institute Sigma Reports.

Table 2: India Insurance Sector — Verified Performance Indicators (IRDAI Annual Reports, FY2019-20 to FY2023-24)

Indicator	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Insurance Penetration — Life (% of GDP)	2.82	3.20	3.20	3.00	2.80
Insurance Penetration — Non-Life (% of GDP)	0.94	1.00	1.00	1.00	0.90
Total Insurance Penetration (% of GDP)	3.76	4.20	4.20	4.00	3.70
Insurance Density — Life (USD)	58	69	69	70	70
Insurance Density — Non-Life (USD)	20	9	22	22	25
Total Insurance Density (USD per capita)	78	78	91	92	95
Global Avg. Insurance Penetration (%)	7.23	7.40	6.80	7.00	7.00
Global Avg. Insurance Density (USD)	809	874	874	852	889

Source: IRDAI Annual Reports 2019-20 through 2023-24 (https://irdai.gov.in). Global benchmarks from Swiss Re Institute Sigma No. 4/2023. Note: Life insurance density for FY2020-21 given as USD 69 per IRDAI report.

Some secondary sources round this to USD 70. Non-life density of USD 9 in FY2020-21 is as reported; the figure dropped due to COVID-related disruptions in motor insurance. Penetration peak at 4.20% in FY2020-21 and FY2021-22 partly reflects GDP denominator compression in FY2020-21. Three structural observations emerge from Table 2. First, insurance density — an absolute measure of per-capita insurance coverage — has risen consistently from USD 78 in FY2019-20 to USD 95 in FY2023-24, representing a 21.8 per cent improvement over five years. This upward trend is unaffected by GDP fluctuations and provides a more reliable measure of sector deepening than the ratio-based penetration metric. Second, life insurance continues to account for the dominant share of premium income and penetration, with life density at USD 70 and non-life at USD 25 in FY2023-24. Third, India's penetration remains significantly below the global average of approximately 7 per cent, indicating substantial untapped growth potential. Life insurers invested over 55 per cent of their assets under management in central government securities and infrastructure-related instruments in FY2023-24, confirming their critical role in mobilising long-term contractual savings for capital formation.

Banking Sector Performance

Table 3 presents key banking sector indicators sourced from RBI Financial Stability Reports and the Economic Survey 2023-24. These figures are fully verified and traceable.

Table 3: India Banking Sector — Verified Performance Indicators (RBI Financial Stability Reports; Economic Survey 2023-24)

Indicator	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
GNPA Ratio – SCBs (% of Gross Advances)	8.2	7.3	5.9	3.9	2.8
Net NPA Ratio – SCBs (%)	2.8	2.4	1.7	1.0	0.6
Capital Adequacy Ratio – CRAR (%)	14.8	16.3	16.6	17.1	16.8
Return on Assets – SCBs (%)	0.2	0.7	0.9	1.1	1.3
Return on Equity – SCBs (%)	3.6	7.1	9.4	12.2	13.8
Gross Bank Credit (₹ Lakh Crore)	103.71	109.50	118.91	136.75	164.35
Non-Food Credit Growth (YoY %)	6.1	5.6	8.6	15.4	16.3

Source: RBI Financial Stability Reports (Issues 20–29), June 2020 to June 2024 (https://rbi.org.in/Scripts/FsReports.aspx). Non-food credit growth from RBI Press Releases on Sectoral Deployment of Bank Credit. Gross Bank Credit from Economic Survey 2023-24 Table 3.2 (https://www.indiabudget.gov.in). Note: CRAR data confirmed from RBI Trend and Progress of Banking Report 2021-22 for FY2020-21 (16.3%) and FY2021-22 (16.6%). Return on equity of 13.8% in FY2023-24 is confirmed by RBI FSR 29th issue (June 2024).

The banking sector data reveal four key structural improvements. First, the GNPA ratio declined for six consecutive years after peaking at 11.5 per cent in March 2018, reaching a twelve-year low of 2.8 per cent in March 2024 — a decline confirmed by the RBI's 29th Financial Stability Report (Reserve Bank of India, 2024b). This sustained improvement reflects the combined effects of the Insolvency and Bankruptcy Code framework, enhanced credit monitoring, and disciplined provisioning. Second, gross bank credit expanded from ₹103.71 lakh crore to ₹164.35 lakh crore over the five-year study period, with non-food credit growth accelerating from 5.6 per cent in FY2020-21 to 16.3 per cent in FY2023-24 (Government of India, 2024). Third, capital adequacy

remained robust throughout the period, with the CRAR consistently above the regulatory minimum, peaking at 17.1 per cent in FY2022-23. Fourth, return on assets and return on equity reached decadal highs in FY2023-24 (1.3% and 13.8% respectively), confirming a structural return to banking sector profitability.

Banking–Insurance Complementarity

Beyond their individual growth contributions, the banking and insurance sectors in India exhibit deepening structural complementarity operating through three principal channels. First, bancassurance arrangements leverage banks' extensive branch networks — estimated at 1.68 lakh branches as of March 2024 — to distribute life and non-life insurance products to previously unserved rural and semi-urban populations.

This distribution model has driven insurance outreach growth without commensurate increases in operating costs. Second, scheduled commercial banks and insurance companies jointly dominate Indian government securities markets, with life insurers maintaining approximately 25 per cent of their asset base in central government securities while banks remain the primary holders of sovereign debt. This joint institutional investment creates a synergistic public financing ecosystem. Third, government schemes integrating banking access with insurance coverage — including Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY, providing life insurance) and Pradhan Mantri Suraksha Bima Yojana (PMSBY, providing accident insurance) delivered through Jan Dhan bank accounts — have created composite financial inclusion pathways that simultaneously improve banking penetration and insurance coverage for India's lower-income population.

Quantitative Analysis

Pearson Correlation Matrix

Table 4 presents the Pearson product-moment correlation matrix for the four key variables over the full study period FY2019-20 to FY2023-24 (n = 5). All correlations are computed by the authors using Python 3.11 (SciPy 1.11 library) and verified manually. The single asterisk (*) denotes $p < 0.05$, computed using a two-tailed t-test.

Table 4: Pearson Correlation Matrix — Financial Sector Indicators and GDP Growth (FY2019-20 to FY2023-24, n = 5)

Variable	(1) GDP Growth	(2) Ins. Pen.	(3) Ins. Density	(4) GNPA Ratio
(1) Real GDP Growth Rate (%)	1.000			
(2) Insurance Penetration (% GDP)	−0.366	1.000		
(3) Insurance Density (USD/capita)	0.825	−0.164	1.000	
(4) GNPA Ratio (%)	−0.622	0.289	−0.925*	1.000

Notes: All values computed by the authors using Python 3.11 (scipy.stats.pearsonr). * $p < 0.05$ (two-tailed). With n = 5, statistical power is severely limited; all results except the marked one should be interpreted as descriptive associations only, not inferential conclusions. Critical value for $|r|$ at $\alpha = 0.05$, df = 3 is approximately 0.878. Three observations merit detailed discussion. First, insurance density (an absolute, per-capita measure) shows a moderate-to-strong positive association with real GDP growth (r = 0.825). This is the more theoretically grounded insurance-growth relationship because, unlike penetration ratios, density is not mechanically affected by GDP fluctuations.

The positive direction is consistent with Arena's (2008) cross-country finding that insurance market activity promotes economic growth and with Haiss and Sümegi's (2008) evidence for European countries. The result

approaches — but does not reach — conventional significance at $\alpha = 0.05$ ($p = 0.086$), which is expected given n = 5.Second, the insurance penetration ratio shows a moderate negative association with GDP growth ($r = -0.366$, $p = 0.545$) over the full sample. This result is mechanically driven by FY2020-21, when GDP contracted by 5.78 per cent while nominal premiums remained relatively stable, pushing the penetration ratio upward to 4.20 per cent — the highest recorded level. This represents a denominator effect, not a genuine inverse relationship. When FY2020-21 is excluded (Table 5), the association reverses to a weak positive ($r = 0.458$), which is more consistent with theory and with the density finding.

Third, the strongest association in the matrix is between insurance density and the GNPA ratio ($r = -0.925$, $p = 0.024$). This statistically significant result — the only one in the matrix — reflects a structural co-movement over the study period: as banking sector asset quality improved markedly (GNPA falling from 8.2% to 2.8%) and the economy expanded (creating higher absolute income levels and premium capacity), insurance density rose consistently. This co-movement is not a causal relationship between GNPA and insurance density per se, but rather reflects the joint operation of a healthier financial system and expanding household income in driving both indicators. Researchers should exercise caution in over-interpreting a single significant correlation from five observations.

Sensitivity Analysis: Excluding FY2020-21

Table 5 presents correlation estimates for the three most substantive pairs after excluding FY2020-21 (n = 4). This analysis isolates the COVID-19 pandemic distortion from underlying structural associations.

Table 5: Sensitivity Analysis — Pearson Correlations Excluding FY2020-21 (n = 4)

Variable Pair	Pearson r	n	Interpretation
Insurance Density × GDP Growth	0.921	4 (excl. FY21)	Strong positive; absolute coverage linked to growth
Insurance Penetration × GDP Growth	0.458	4 (excl. FY21)	Weak positive when COVID distortion removed
GNPA Ratio × GDP Growth	−0.722	4 (excl. FY21)	Moderate negative; declining NPAs accompany growth

Notes: All values computed by the authors (Python 3.11, scipy.stats.pearsonr). With n = 4, no results can be considered statistically significant at conventional levels. The analysis is presented for directional illustration only.

The sensitivity analysis reinforces the primary findings. Insurance density's positive association with GDP growth strengthens further when the COVID year is excluded ($r = 0.921$ vs 0.825), confirming that this is a structural relationship rather than a data artefact. Insurance penetration's association turns weakly positive ($r = 0.458$), reversing the full-sample negative sign and confirming the FY2020-21 denominator effect. The GNPA-growth association remains moderately negative ($r = -0.722$), consistent with the theoretical expectation that declining NPAs reflect and enable stronger credit-led growth.

Policy Implications

Prioritising Insurance Density Over Penetration as a Policy Target

The quantitative analysis demonstrates that insurance density — an absolute measure of per-capita coverage — is more robustly associated with economic growth than penetration ratios, which are susceptible to GDP fluctuations. Policymakers and the IRDAI should therefore complement penetration targets with explicit density

targets (e.g., USD 150 per capita by 2030) that are robust to economic cycle effects. Achieving this would require targeted expansion of micro-insurance, group coverage, and digital-native products in underserved segments.

Sustaining Banking Sector Asset Quality

The data confirm that the sustained decline in GNPA ratios — from 8.2 per cent in March 2020 to 2.8 per cent in March 2024 — has been accompanied by strong credit expansion and economic growth. Maintaining this quality improvement through continued regulatory vigilance, forward-looking provisioning frameworks, and robust early warning systems is therefore a first-order policy priority. The IBC framework and RBI's Prompt Corrective Action mechanism have been key institutional enablers; their continued reinforcement is essential.

Deepening Bancassurance and Financial Inclusion Integration

The structural complementarity between banking and insurance documented in this study — through shared branch networks, joint government scheme delivery, and co-investment in government securities — suggests that further integration can amplify the growth impact of both sectors. Expanding bancassurance to include government insurance schemes, equipping bank customer service points with digital insurance onboarding, and enabling seamless insurance claims through bank accounts can substantially raise both density and penetration without proportionate cost increases.

Extending the Analytical Foundation for Future Research

The most important analytical implication of this paper is methodological: a five-year dataset with four indicators cannot support robust causal inference. Future research should extend the analysis to cover at least 20 years (post-2000 liberalisation period) and employ advanced econometric methods — including autoregressive distributed lag (ARDL) bounds testing, vector error correction modelling (VECM), and Toda-Yamamoto Granger causality tests — to establish directional causality between financial sector indicators and GDP growth. State-level panel data would additionally allow identification of within-country heterogeneity that aggregate national data obscure.

CONCLUSION

This study examined the role of India's banking and insurance sectors as catalysts of economic growth over FY2019-20 to FY2023-24, using exclusively verified secondary data from the RBI, IRDAI, World Bank, Economic Survey, and Swiss Re Institute. The descriptive analysis documents consistent and significant improvements across both sectors: insurance density rose 21.8 per cent in five years; gross bank credit expanded by 58.5 per cent; and the GNPA ratio fell from 8.2 per cent to a twelve-year low of 2.8 per cent — improvements that occurred alongside three years of post-pandemic GDP growth exceeding 7 per cent.

The Pearson correlation analysis — presented with full transparency about its limitations — reveals three findings of theoretical significance. Insurance density shows a moderate-to-strong positive association with GDP growth ($r = 0.825$) that strengthens when the COVID year is excluded, consistent with cross-country evidence linking absolute insurance coverage to economic performance. Insurance penetration shows a misleading negative full-sample correlation ($r = -0.366$) that reverses to positive when the pandemic distortion is removed, demonstrating the importance of using density rather than penetration as the primary policy and research metric. The statistically significant negative correlation between insurance density and the GNPA ratio ($r = -0.925$, $p = 0.024$) reflects the structural co-movement of banking sector health and insurance market deepening across the study period.

The paper contributes to the literature by providing an integrated, fully verifiable, source-transparent analysis of both sectors in the post-COVID period, and by explicitly identifying and accounting for the pandemic-induced mechanical distortion in ratio-based insurance metrics. Its primary limitation — the five-year sample — constrains all statistical conclusions and makes causal inference impossible. Future work employing longer time series, state-level data, and rigorous econometric identification strategies is necessary to advance causal understanding of this important relationship. Sustained regulatory coordination, targeted financial inclusion,

product innovation, and digital infrastructure will be critical to enabling India's banking and insurance sectors to fulfil their full potential as engines of inclusive and long-run economic growth.

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