



Life Insurance Gap in Rural Areas Of Midnapur District

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ABSTRACT

The life insurance protection gap in rural areas of Midnapur, West Bengal is significant and a clear call for action, reflecting broader trends across Eastern India. While general insurance awareness is growing in rural India, actual ownership and adequate coverage lag considerably behind urban areas due to specific socio-economic challenges. This thesis presents an in-depth investigation into the patterns, barriers, and facilitators of life insurance adoption among rural populations in the Midnapur district of West Bengal, India. Life insurance serves as a crucial tool for economic security, risk mitigation, and poverty reduction; yet despite its benefits, penetration in India's rural markets remains alarmingly low. Recognizing this gap, the study sets out with clear objectives: to examine socio-demographic, economic, and perceptual factors affecting life insurance uptake; to evaluate the effectiveness of government-led insurance schemes; and to propose actionable recommendations for enhancing insurance penetration in underserved rural communities. Findings reveal that awareness and education play decisive roles: nearly 65% of respondents with education below secondary level reported either low or no awareness of life insurance products. Income emerged as another critical determinant, with 71.5% of respondents earning ₹20,000 or less monthly, directly impacting their ability to afford premiums and



contributing to policy lapses. Gender disparities were pronounced, with males constituting 59.5% of respondents and women underrepresented both as decision-makers and as policyholders, underscoring the need for targeted gender-sensitive outreach. Trust in insurance agents and companies was moderate, with 25% of respondents remaining neutral—indicating scepticism and highlighting opportunities for insurers to build credibility. Perceptions of affordability further compounded challenges: over 41.5% of respondents perceived life insurance as unaffordable, even when aware of its benefits.

INTRODUCTION:

The developing economy of India depends on life insurance because its limited financial literacy requires this security mechanism to protect livelihoods. The rural population shows a lower level of adoption for insurance policies alongside a questionable impact of these services in their area. The major portion of India's population living in rural areas faces three main difficulties: insufficient awareness about life insurance and inadequate service access combined with restricted financial inclusion capabilities. The goal of enhancing rural financial literacy and promoting life insurance benefits will lead to full insurance coverage across all social demographics. Insurance businesses when they partner with governmental organizations and non-profit institutions can create solutions which bring life insurance to poorly served communities all across India. This coalition seeks to establish purpose-made educational strategies which focus on delivering solutions for rural community demands. Services that ensure protection and security through life insurance will become available to more rural individuals through collaborative work which builds financial stability throughout India. Organizations working together will enhance life insurance policy accessibility which makes enrolment and understanding of coverage simpler for rural inhabitants. Joint utilization of strengths and resources between these collaborating entities promises to substantially boost the number of people properly defended from financial risks throughout India. These strategic alliances serve two purposes by informing rural population members about life insurance fundamentals and showing them the advantages coverage can bestow upon their household. Insurance companies working with local organizations will develop customized programs which satisfy rural community requirements to provide broader financial protection for residents. Such joint initiatives will ultimately enhance India's financial stability nationwide so the whole population experiences better stability and success. Access to life insurance through these collaborative partnerships



will help decrease rural population exposure to unexpected financial events. Better economic stability and growth within these communities provides collective advantages to national progress because of their strengthened health and financial security. Rural residents gain wisdom in financial matters when educational programs about financial literacy are promoted in their areas. This leads them to choose wiser decisions regarding their financial success. The systematic endeavour to build financial strength through holistic methods will create enduring prosperity together with sustainable progress in rural areas of India. Saving coupled with investment promotes individuals in rural areas to create durable financial bases for their personal stability and family welfare. The outcomes produce a domino effect which leads to increased economic activities and business development among these communities.

RESEARCH OBJECTIVES:

The major objectives of the investigation will include:

- In rural India, factors such as the number of participants, premium amounts, market shares, agents, insurance company investments, claims resolved, policies issued, and policies that have lapsed are all taken into account.
- Life insurance policy purchasing in rural India can be influenced by a variety of factors including demographic, regional, psychological, and behavioural.
- To learn what the policyholder thinks of the insurance company's service from their perspective.
- In order to assess the amount of competitiveness in rural areas.
- To investigate the gender inequality in rural India's life insurance business.

KEY CHARACTERISTICS OF THE PROTECTION GAP:

- **Stark Urban – Rural Divide:** The gap in life insurance ownership in East Zone (includes West Bengal) is particularly severe, with an ownership gap of approximately 52% between urban and rural populations.
- **Low Term Plan Ownership:** Only about 3% of respondents in Eastern India own term plans. A crucial form of life insurance protection compared to much higher rates in other regions.



- **Awareness vs Adoption:** Awareness of life insurance products, particularly term insurance, is rising in rural India (from 32% to 40% recently) but this has not translated into widespread adoption.
- **Focus on Family, not individual Security:** A significant 43% of rural respondents believe life insurance only benefits the family after death, not individual during their lifetime which impacts purchasing decisions.

PRIMARY CAUSES OF THE GAP:

The factors contributing to this gap in Midnapur mirror the challenges faced across rural India:

- **Affordability and Irregular Income:** Lack of enough funds and irregular, seasonal earnings are major barriers, making it difficult for many rural households to afford annual premiums.
- **Accessibility and Distribution Issues:** Insurers often focus on urban areas due to higher potential premium collections, leaving rural areas with weak ‘last mile’ networks. Only about 2% of life insurance branches are in rural areas nationally.
- **Lack of trust and poor service Experience:** A history of mistrust, often stemming from delays or denials in claim settlements, is a major deterrent.
- **Product design mismatch:** Many traditional insurance products are uniform for both urban and rural consumers and do not align with the specific needs or cash flows of rural populations.
- **Dependence on Government Schemes:** Public initiatives such as the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) play a vital role in basic coverage but mainstream adoption of private plans remains low.

To bridge the gap in areas like Midnapur, experts recommend simpler products, regional outreach and technology led solutions that build local trust and align with the financial realities of the rural economy, which in Midnapore is largely dependent on agriculture and small-scale industries.

SIGNIFICANCE OF THE STUDY:

Through this research multiple stakeholder groups obtain significant benefits including policymakers who develop programs and financial institutions that provide insurance services and insurance providers



who serve clients and rural consumers seeking financial protection. This study delivers crucial knowledge regarding rural area life insurance expansion barriers and opportunities which will support complete financial nurturing and protection of rural populations. Research findings will aid policy development of strategies to meet the distinctive life insurance service needs among rural communities. The findings about rural populations' life insurance difficulties will help create customized solutions because they describe their specific challenges. The collected information allows policymakers to create rural life insurance accessibility regulations while finance institutions alongside insurance providers can create products that serve rural population needs better. The research outcomes have the ability to enhance financial safety for rural consumers which will lead to improved economic stability in these locations. This study should particularly focus on resolving rural population obstacles such as minimal financial service availability and poor knowledge about available insurance options to shrink the coverage deficit. Insurance providers who develop products and services that match rural community requirements will guarantee broader protection for their members against unforeseen events.

IMPACT OF LIFE INSURANCE ON FINANCIAL BENEFIT

- **Income Replacement:** Families depends on a primary breadwinner. The insurance payout acts as an income replacement. Help them to buy any essential assets or helping them to maintain their standard of living.
- **Encourages to Savings:** Certain life insurance company products like (whole life returns or endowment plans) have a savings or investment plan for long term savings among rural populations who might otherwise lack access to formal financial products.
- **Debt Settlement:** Payout from Life Insurance can be used to clear outstanding debts, such as farm loans or mortgages. Life Insurance payout to protect families from the burden of liabilities.
- **Financial Safety:** Life Insurance provides a critical safety net for rural families against suddenly events like the death of a primary earner, illness or natural disasters. Which can have impact on financially vulnerable households.

RESEARCH METHODOLOGY

This chapter systematically presents the research methodology adopted for the present study, titled "*Factors Influencing Life Insurance Policy Adoption in Rural West Bengal*". It comprehensively explains the research design, population and sampling framework, data collection tools, measurement scales, and statistical techniques used for analysing the data. The study solely adopts a quantitative research



approach to ensure the collection of structured and numerical data, thereby facilitating objective analysis. Qualitative methods have not been employed, and all insights are derived from statistical findings based on primary data collected through structured questionnaires. The findings of the study provide valuable insights into the factors influencing life insurance policy adoption in rural West Bengal, offering a clear understanding of the drivers and barriers to uptake in this specific context. The quantitative approach allows for a systematic and rigorous analysis of the data, contributing to the robustness of the study's conclusions. The study also highlights the importance of demographic factors such as age, income, and education level in determining the likelihood of purchasing a life insurance policy. Future research could benefit from incorporating qualitative methods to further explore the motivations and perceptions of individuals towards life insurance in rural areas. This would provide a more comprehensive understanding of the decision-making process and potentially uncover additional insights that quantitative data alone may not capture. By combining both quantitative and qualitative approaches, researchers can gain a holistic view of the factors influencing life insurance uptake in rural communities. This approach could help identify specific barriers or misconceptions that prevent individuals from purchasing life insurance, ultimately informing the development of more targeted and effective outreach strategies. Additionally, qualitative data could shed light on cultural norms and social influences that play a role in shaping attitudes towards life insurance, providing a more nuanced understanding of the factors at play. By integrating both quantitative and qualitative research methods, policymakers and insurance providers can tailor their offerings and messaging to better meet the needs and preferences of rural residents, ultimately increasing the uptake of life insurance in these underserved communities.

RECOMMENDATION

Based on the detailed analysis of data collected and the insights gained through surveys and interviews with rural policyholders, insurance agents, and community leaders, the following comprehensive recommendations are proposed to enhance life insurance penetration, improve service delivery, and increase overall financial inclusion in rural India:

1. **Develop Flexible Premium Payment Plans Tailored to Seasonal Incomes**

Insurance providers should design premium payment options that align with the seasonal cash flow patterns of rural households, particularly farmers and agricultural laborers. By allowing premiums to be paid after harvest or during high-income months, insurers can reduce the burden during lean periods and minimize policy lapses, which are currently common due to income irregularity in rural areas.



- 2. Enhance Insurance Education Through Localized Media Campaigns**
Extensive use of local communication channels such as regional radio stations, cable TV networks, street plays, and folk theatre performances can effectively spread insurance awareness. Content should be developed in local dialects, using culturally resonant examples and relatable stories to ensure comprehension by all community members, including those with low literacy levels.
- 3. Establish Permanent Insurance Information and Enrolment Kiosks at Rural Centres**
Setting up dedicated insurance kiosks in high-footfall areas such as weekly markets, Panchayat offices, health camps, and local fairs will provide rural residents with convenient, consistent access to insurance services. These kiosks should be staffed with trained personnel capable of explaining policy options, helping with enrolment, and assisting with claim processing.
- 4. Leverage Women's Self-Help Groups (SHGs) as Trusted Distribution Channels**
By training SHG leaders and members as community insurance promoters, insurers can tap into the existing trust networks of SHGs. This approach will empower women to become key advocates for insurance, address gender disparities in coverage, and build confidence among female policyholders who often face financial exclusion.

CONCLUSION

The various barriers and opportunities of life insurance adoption in rural West Bengal have been brought to the fore in this study. Though the roadblocks are numerous, i.e. affordability and access, to cultural misconceptions, the possibility of inclusive financial protection is extensive if done with sensibility, strategy, and sincerity. Having an idea of the rural realities and collaborating with communities, insurance providers and policy makers will be able to design an ecosystem where the state of financial security that life insurance offers is not a far-flung ideal, but a real possibility for every home. This will need customized products, precise outreach, and financial literacy programs that respond to the needs and concerns of rural people. Through establishing trust and creating relationships with local leaders, organisations would have the potential to close the delivery gap between rural societies and the advantages of life insurance. It is through such efforts that insurance providers and policy makers are in a position to empower the rural households to effectively shield themselves from unexpected situation and secure their future. Through the injections into general education and subjective understanding of life insurance opportunities, the rural populations can acquire the knowledge and means for informed choice



of the financial health positioning. After all, if a community comes together and obtains a sense of ownership over life insurance, barriers to it in rural areas can be broken down, and there will be a more robust and prosperous group of people. This cooperation strategy can also work to overcome any cultural or logistical constraints present in the rural aspects to accord everyone the same opportunity of life insurance. When targeting outreach and learning programmes to suit the needs of the rural populaces, insurance providers and policymakers can go a long way to bridge the insurance gap in the rural areas.

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