

Determinants of Low Insurance Penetration in the Sri Lankan Life Insurance Market

Arachchi, K.D.G.¹ and Buddhika, H.J.R.²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

arachchi_bm17024@stu.kln.ac.lk¹, buddhikar@kln.ac.lk²

ABSTRACT

Purpose: Insurance penetration is the most popular measurement in the insurance sector. The main goal of this study is to identify the Determinants of Low Insurance Penetration in the Sri Lankan Life Insurance Market. Sri Lanka has a considerably low insurance penetration when compared with other main south Asian countries. Higher insurance penetration indicates the capability and confidence of the insurance industry. Insurance penetration serves as a benchmark for measuring the progress of the insurance sector. Many studies have been undertaken in the framework of foreign nations, but just a handful in the context of Sri Lanka.

Design/Methodology/Approach: It was decided that an insurance penetration research study should be conducted to emphasize the factors of insurance penetration in the Sri Lankan setting. According to previous studies, some independent variables affect insurance penetration, which was Inflation rate, Income, Literacy ratio, and dependency ratio. And the data was gathered over 22 years from 2000 to 2021. This study was conducted as quantitative research and for the analysis of data, this research uses the EWIEWS statistical software to find out the relationship between the independent variables and the dependent variable (life insurance penetration).

Findings: Most of the independent variables are significant to the life insurance penetration in Sri Lanka long run as well as the short run. Not only that, but this study also examines if there is any difference between the pre-war-the post-war and the pre covid and post covid.

Originality: This study guided the government of Sri Lanka to focus on factors leading to low insurance penetration and further weight on those to improve the insurance penetration in Sri Lanka.

Keywords: *Life Insurance penetration, Sri Lanka, Inflation, Income, Literacy ratio*