Insurance as a Core Element of Financial Inclusion in Emerging Economies

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Financial inclusion has become a central pillar of sustainable economic development, particularly across emerging economies, where high levels of income volatility, widespread informal employment, and limited social protection systems leave households vulnerable to financial shocks. Despite global progress in expanding access to insurance, savings, credit, and digital payments, more than 1.3 billion adults worldwide remain excluded from formal financial services, with many more underserved. These gaps include insurance, where protection levels lag far behind needs, leaving societies exposed to health emergencies, natural disasters, crop failures, and economic disruption.

Financial inclusion as a driver of economic development

Evidence from cross-country studies shows that financial inclusion advances economic development through four mutually reinforcing pathways: mobilising savings and investments, enabling entrepreneurship, alleviating poverty, and improving financial stability.

Broad access to savings accounts fosters higher and more stable savings rates by providing safe, convenient mechanisms for storing funds. Empirical studies from developing countries show that formal savings channels not only encourage greater accumulation but also mobilise capital into productive investment, strengthening the financial sector's ability to support economic growth.

Financial inclusion supports entrepreneurial activity at the micro, small, and medium enterprise levels. Access to both credit and insurance encourages business formation by lowering reliance on informal lenders and reducing vulnerability to shocks. Evidence from India, Sub-Saharan Africa, and other regions demonstrates how access to basic financial tools increases self-employment and small-business creation.

Financial inclusion also reduces poverty by enabling households to withstand income shocks, invest in education, and adopt more sustainable financial habits. Studies show strong links between financial inclusion and decreased poverty, particularly when women and other economically marginalised groups gain access to formal services.

Inclusive financial systems enhance macroeconomic and financial stability, too. Expanding access to deposits diversifies banks' funding bases, while spreading credit across a wider population reduces concentration risk. Greater use of formal financial tools also supports economic formalisation, improves transparency, and reduces illicit financial flows. Women's participation in formal financial systems plays an especially stabilising role due to their higher rates of saving and loan repayment.

The unique role of insurance

While payment services, savings, and credit have historically dominated financial inclusion agendas, insurance plays a unique role that cannot be substituted by other tools. Savings accumulate slowly and are often depleted during emergencies, while credit creates repayment obligations also at moments when households are least able to shoulder them. Insurance alone provides risk pooling and transfer, enabling households to withstand shocks such as health crises, accidents, and natural disasters without falling into poverty or liquidating essential assets.

Insurance also supports productivity-enhancing risk-taking, such as investing in education or technology. By safeguarding the benefits of savings and credit, insurance strengthens the entire financial ecosystem and ensures that unexpected shocks do not erase developmental gains (see Table 1).

Insurance is not merely a financial product but an essential enabler of socioeconomic resilience. In emerging economies such as China and India, government-backed and public-private schemes, notably in health and agricultural insurance, have expanded protection for hundreds of millions, reducing fiscal burdens and creating more stable foundations for growth.

TABLE 1: SAVINGS, CREDIT, AND INSURANCE – CHARACTERISTICS AND FUNCTIONS

	Savings	Credit	Insurance
Primary purpose	Accumulation of wealth for future consumption or investment	Access to funds for immediate consumption or investment needs	Protection against uncertain future events and financial losses
Risk management	Self-insurance – individuals rely on personal savings to buffer against shocks	Risk is with the borrower, who must repay regardless of circumstances	Risk sharing across a large pool, mitigating individual exposure
Information requirements	Low – financial institutions need basic information to manage deposits	Higher – lenders assess creditworthiness to mitigate default risk	High – insurers evaluate risk profiles to set premiums and coverage terms
Role in economic development	Provide an individual safety net and funds for investment	Enables entrepreneurial activities and consumption smoothing	Offers financial resilience against adverse events, encouraging and protecting investment and consumption

Source: Geneva Association

Addressing evidence gaps: New and comparative survey-based data

To address persistent information gaps on insurance coverage and usage, the Geneva Association commissioned a survey across Brazil, China, India, Mexico, Morocco, South Africa, and Türkiye. With roughly 1,000 respondents per market, the survey provides insight into household risks, financial behaviour, familiarity with and usage of financial tools like insurance, as well as barriers to adoption.

Medical costs are the dominant worry in almost all countries surveyed, reflecting gaps in health coverage and high out-of-pocket spending. Concerns about premature death, disability, and insufficient retirement savings also appear prominently, signalling widespread awareness of lifecycle risks.

China, India, and South Africa display the highest familiarity with insurance, driven by digital super-app ecosystems, state-led financial inclusion programmes, and culturally embedded insurance traditions such as funeral policies, respectively.

Digital payments are the most widely used financial service across all countries. China and India lead in insurance usage, with approximately three quarters of respondents holding at least one type of coverage. Borrowing is least used, reflecting structural barriers, lack of credit histories, and mistrust of lending channels (see Figure 1).

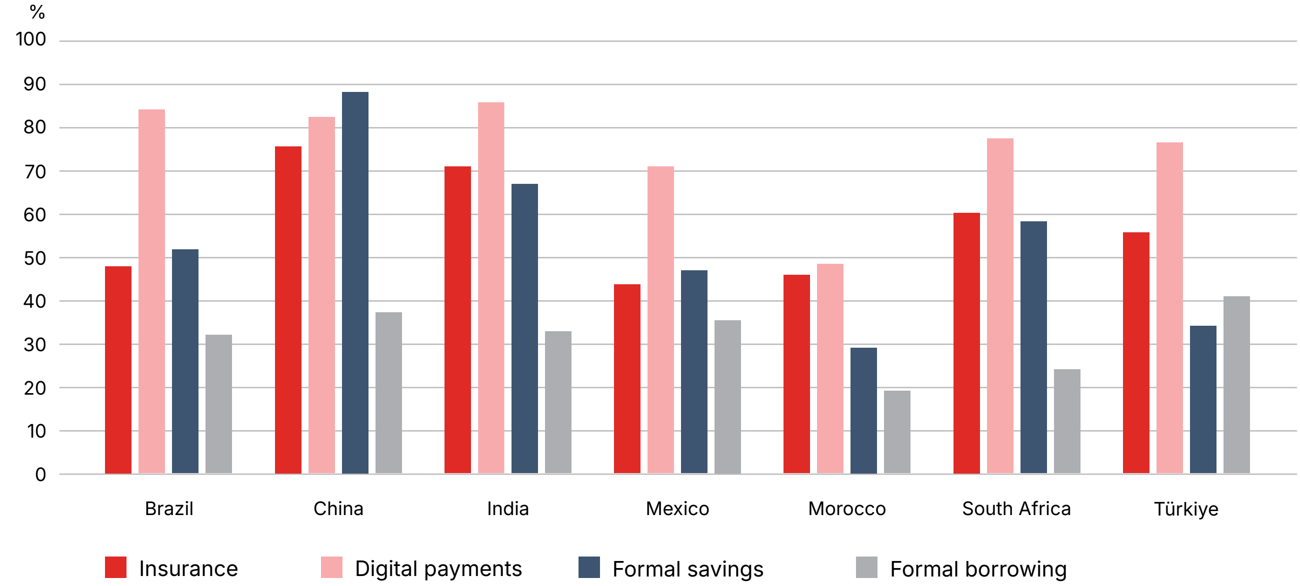
Insurance is considered useful by at least 70% of respondents in every market while borrowing is rated as least useful overall. Insurance is perceived as essential for asset protection and shock resilience, while savings dominate decisions related to major life events and long-term planning. Insurance plays a comparatively stronger role in India and China in major financial decisions, but a weaker role in Brazil, Mexico, Morocco, and Türkiye. Most uninsured respondents believe they could obtain coverage if they wanted it, suggesting that access is not the primary barrier; affordability and awareness remain more relevant constraints.

Health, term life, and motor insurance show high levels of awareness and adoption, largely driven by their intuitive relevance or mandatory nature. But disability, savings-type life products, and property insurance remain largely underutilised, indicating major protection gaps.

Affordability is the primary obstacle for health and life insurance. Knowledge gaps, especially regarding savings-type life insurance, also inhibit demand. Behavioural factors such as present bias, optimism bias and low prioritisation further limit uptake (see Figure 2).

FIGURE 1: USE OF FINANCIAL SERVICES

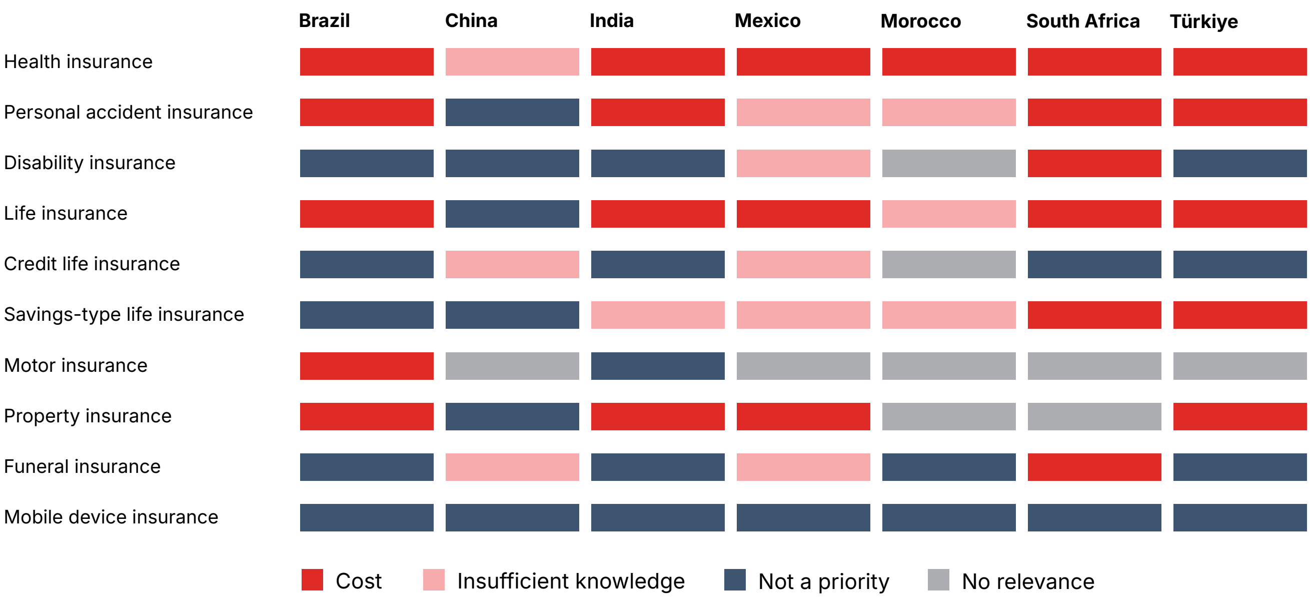
Which of these financial services do you currently have or use?



Source: Geneva Association customer survey, powered by Kantar

FIGURE 2: REASONS FOR NOT OWNING INSURANCE

What is the most important reason for not owning the following products?



Source: Geneva Association customer survey, powered by Kantar

We identify three interconnected pillars required to scale inclusive insurance sustainably: commercial innovation, public policy, and regulatory support.

Commercial success factors

Purpose-built products must be simple, understandable, accessible, valuable, and efficient. Simplicity reduces cognitive burdens; understandability fosters trust; accessibility leverages digital enrolment and mobile payments; value ensures meaningful coverage at affordable premiums; and efficiency is achieved through digital operations and automation. Parametric insurance represents an emerging product type well aligned with these principles.

Affinity partnerships with mobile operators, microfinance institutions, retailers, cooperatives, and digital platforms enable rapid, low-cost expansion. Embedded insurance (bundling coverage into transactions such as e-commerce, ride-hailing, or telecom services) reduces friction and boosts uptake. Hybrid models combining digital channels with local agents are particularly effective in low-literacy environments.

Customer trust hinges on transparent, timely claims processes, simple products, and culturally relevant offerings. Strong affinity distribution networks, such as cooperatives or community groups, help overcome scepticism and facilitate adoption.

AI, digital platforms, and alternative data sources enable granular risk assessment, fraud detection, automated underwriting, and faster claims. These tools reduce costs and improve affordability.

Public-policy success factors

Governments play a key enabling role by embedding insurance within national financial inclusion strategies, as seen in China, India, Morocco, and South Africa, for example. Fiscal support through premium subsidies, tax incentives, and co-funding mechanisms is essential for addressing affordability constraints, especially in health and agriculture. Public-demand creation requires insurance literacy programmes, inclusion in school curricula, and awareness campaigns. Mandatory schemes can broaden participation, though they must be carefully designed to manage affordability and moral-hazard risks. Digital public infrastructure such as digital ID, mobile payments, and interoperable data systems is crucial for low-cost scale.

Regulatory success factors

Regulation must strike a balance between prudential stability and room for innovation. Simplified licensing for microinsurers, digital onboarding rules, composite product allowances, and sandbox environments support experimentation while safeguarding consumers. Robust grievance mechanisms and customer-protection frameworks further enhance trust.

Conclusion

Insurance is a foundational but often overlooked component of financial inclusion. It uniquely protects households and businesses from catastrophic shocks, complements savings and credit, and supports long-term economic and social resilience. Emerging economies face vast insurance protection gaps, but they also have an opportunity to leapfrog traditional models through digital innovation, public-private partnerships, and regulatory flexibility. Achieving inclusive insurance at scale requires alignment between commercial viability, policy priorities, and regulatory enablers.