

**EXPENDITURE ON INSURANCE IN INDIA'S ORGANISED MANUFACTURING
SECTOR: ROLE OF HAZARD VULNERABILITY**

SOHINI BHOWMIK

*A project report submitted
in partial fulfillment of the requirement for the award of the degree of*

MASTER OF ARTS

IN

ACTUARIAL ECONOMICS



May 2024

MADRAS SCHOOL OF ECONOMICS

Chennai- 600025

ABSTRACT

This dissertation examines the determinants influencing organised manufacturing firms' insurance expenditure in India. Insurance is one of the most important risk-mitigating tools for firms. The study assesses the impact of both firm-specific factors and spatial variation in vulnerability to hazards on the insurance spending of manufacturing firms within India's organised sector. We use the unit-level data from the Annual Survey of Industries (ASI) for the year 2018-19 to obtain information on insurance expenditure and other firm-specific factors in the organised manufacturing sector in India. We combine ASI data with information on the hazard vulnerability index of the industrial sector across different Indian states, as derived from the report 'Disaster Risks and Resilience in India,' jointly conducted by the Ministry of Home Affairs and the United Nations Development Programme (UNDP). We test various hypotheses about the firms' insurance expenditure determinants using multiple linear regression. We find that the Gross Value Added of the firm, the value of plant & machinery, subsidy, the value of imported inputs, the share of exports, location of the unit, type of organisation, subsidy received from the government, age of the firm, depreciation and vulnerability index have significantly impacted the amount of the insurance expenditure. Our study holds immense relevance for the insurance and manufacturing sectors in India.

Keywords: *Insurance, Manufacturing firm, Organised sector, Vulnerability index*