Vol 6 Issue 10 July 2017

ISSN No : 2249-894X

Monthly Multidisciplinary Research Journal

Review Of Research Journal

Chief Editors

Ashok Yakkaldevi
A R Burla College, India

Ecaterina Patrascu
Spiru Haret University, Bucharest

Kamani Perera
Regional Centre For Strategic Studies,
Sri Lanka

Welcome to Review Of Research

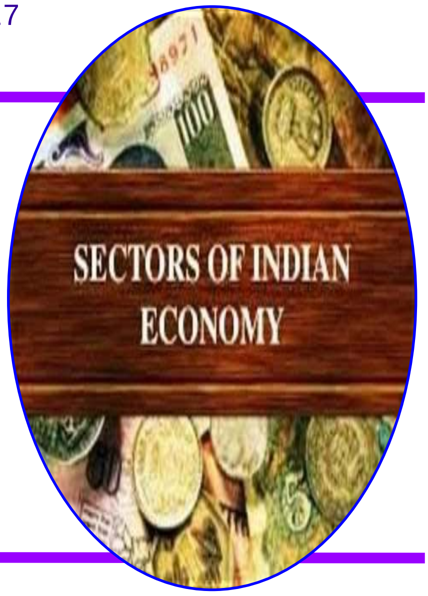
RNI MAHMUL/2011/38595 **ISSN No.2249-894X**

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.oldror.lbp.world

Review Of Research

ISSN: 2249-894X
Impact Factor : 3.8014(UIF)
Volume - 6 | Issue - 10 | July - 2017



AN ECONOMIC ANALYSIS ON INSURANCE SECTOR IN INDIA

Ramakrishna. G. N.[1] and Dr. T. Rajendra Prasad[2]
[1]Research Scholar , Department of Economics,
Bangalore University, Bangalore.
[2]Professor in Economics , Department of Economics,
Bangalore University,Bangalore.

ABSTRACT :
Insurance industry has been playing a vital role in the developing country like India. It is also a foremost policy initiative to make the people to come under financial inclusion by entering into the insurance sector. To prove economic efficiency of formation financial and industrial group in national economy, it is possible by calculation of economic benefit of their functioning. Logically most optimum indicator of efficiency and feasibility of business is profitability of manufacturer. A well developed and evolved insurance sector is a boon for economic development of a country. It provides long term funds for infrastructure development and concurrently strengthens the risk taking ability of the country. India's rapid growth over the past decade has been one of the most significant developments in the global economy. Insurance market in India has a superfluity of business opportunities. As of now, India accounts for less than 1.5 percent of the total insurance premiums in the world and around 2 percent of the life insurance premiums even after being the second largest most populated country. With the Indian parliament hiking the FDI limit in the insurance sector from 26 percent to 49 percent, the scope of investment and growth for foreign players is seeing an all-time high. The present study attempts to examine the total investment made by the private and public insurance sector, market share and new policies in Indian economy.

KEYWORDS : *Regionalism, Student, Social Justice, Telangana Movement.*

INTRODUCTION:

The Insurance sector also plays a vital role in the economic development by providing various utility services like mobilizing savings, intermediating in finance, promoting investment, stabilizing financial markets and managing both the social and financial risk. The year 1991 witnessed the implementation of economic reforms in India which leads to LPG .The doors of various industries are opened to private sector for effecting competition at par with the world countries. The inflow of FDI is on the increase due to the economic reforms. The role of regulator and competition made the tariff reduced which enriches the increase in the subscriber base. India is a country where the average selling insurance policies is still lower than many western and Asian countries; with the second largest population in world the Indian insurance market is looking very prospective to many multinational and Indian insurance companies for expanding their business and market share. Before the opening of Indian market for multinational insurance companies, LIC was the only company which dealt in insurance and after opening of this sector through FDI many private players who started their operation in India. With their world market experience and network, these companies have offered many good schemes to lure all type of Indian consumers. Life is full of risk and uncertainties. Though we are social human being we have certain responsibilities too.

Indian consumers have big influence of emotions and rationality on their buying decisions. They believe in future rather than the present and desire to have a better and secured future, in this direction life insurance services have its own value in terms of minimizing risk and uncertainties. Indian economy is developing and having huge middle class societal status and salaried persons. The investment push has come as a result of liberalization of foreign investment ceiling from 26 percent to 49 percent, last year through the channel of insurance laws Amendment (2015). The bill has cleared decks for foreign entities to increase their stake in private sector insurance companies.

REVIEW OF LITERATURE:

A comprehensive review of related past studies helps the researchers to adopt, modify and improve the concept of framework and provide a link with past approaches. Based on the review of literature has enable to identify the sources for the present study.

Purusothaman (2013) studied the growth of Life Insurance Corporation in India and attributes responsible for growth of investment. The empirical results of study show that cluster I with 44.84 percent of customers were weak in awareness, advertisement, and speed of decisions and adoption of technology. Cluster II with 43.95 percent of customers with strong attributes from LIC. The cluster III with a minimum of 11.21 percent with moderate attributes in assured returns, service behavior, and information about new schemes, transparency and corporate image. In their study they have also found that 50 percent customers are loyal to LIC.

Parekh (2013) observed that investment function of insurance industry in India is not so lively when compared with global counterparts. Therefore, he has suggested government to recognize the importance of insurance sector in financial landscape and introduce more fiscal stimulus and tax incentive to strengthen its role in saving mobilization.

Monalisa Ghosal (2012) Role of insurance in economic development of India: It is very much outward that the Insurance sector is composed for huge growth by way of number of policy holders, policy premium, new product, and increased technology focus; this would in turn play an important role in facilitating and sustaining growth. Life insurance has today become a backbone of many market economies since it offers plenty of scope for Reaping large sums of money for long periods of time.

A well regulated life insurance industry which moves with observed the role of private and foreign players after the allowance of market access in the insurance sector. The paper also focuses on the impact of Insurance Industry on Indian Economy.

OBJECTIVES:

1. To examine the market share of private and public insurance players in India.
2. To assess the new policies of private and public insurance players in India
3. To evaluate the total investments of the private and public insurance players in India.

METHODOLOGY:

The study is based on published sources of data collected from various sources. Like handbook of statistics of insurance, IRDA reports, journals and other sources. The data collected for the period 2001-2016. In order to analyse the data compounded annual growth rate and simple statistical tools are used.

I. MARKET SHARE LIC AND PRIVATE PLAYERS IN INDIA:

Market share can be explained through premium collection, investments, and policies selling. Foreign players will not only bring the required capital but will also help their Indian counterparts in developing their business through their global expertise. Foreign insurers keen on investing or venturing with Indian insurance companies will help the latter innovating new products strengthen the implementation of technology and improve the client servicing tools.

Table-1: Market Share LIC and Private Players in India:

Year (period)	LIC	Pvt. Players
2001-02	99.46	0.56
2002-03	97.19	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61
2008-09	70.92	29.08
2009-10	70.10	29.90
2010-11	69.78	30.22
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39

Source: Compiled From IRDA Annual Reports)

On the basis of total premium income, the market share of LIC decreased from 73.05 per cent in 2014-15 to 72.61 per cent in 2015-16. The market share of private insurers has increased from 26.95 per cent in 2014-15 to 27.39 per cent in 2015-16.

II. NEW POLICIES:

During 2015-16, life insurers issued 267.38 lakh new policies, out of which LIC issued 205.47 lakh policies (76.84 per cent of total new policies issued) and the private life insurers issued 61.92 lakh policies (23.16 per cent of total new policies issued). While the private sector registered a growth of 7.92 per cent with a good improvement (against a decline of 9.79 per cent in 2014-15) in the number of new policies issued against the previous year, LIC registered a slight growth of 1.86 per cent with a significant improvement (against a decline of 41.55 per cent in 2014-15) in the number of new policies issued.

Table-2: Life insurance policies (lakh):

YEAR	Public sector	private sector
2010-11	370.38	111.14
2011-12	357.51	84.42
2012-13	367.82	74.05
2013-14	345.12	63.6
2014-15	201.41	57.37
2015-16	205.47	61.92

Source: Compiled From IRDA Annual Reports

III. TOTAL INVESTMENTS OF THE PRIVATE AND PUBLIC INSURANCE PLAYERS:

The table-3 gives detailed information about total investment in the economy. It is very clear from the table that the public sector investment especially by LIC was increased to 12 percent during 7 years i.e., from 2010 to 2016. During the same period the private sector has made investment by 14.3 percent and it is more than the investment made by the public sector.

Table-3: Total Investments of the Life Insurance as On 31st March 2016 (?Crs):

Year	2010	2011	2012	2013	2014	2015	2016	CAGR (percent)
Public sector (LIC)	992331	1148589	1269070	1402991	1574296	1786312	2009119	12.4
private sector	220127	281528	312188	341902	383169	461210	492949	14.3
Total	1212458	1430117	1581258	1744893	1957465	2247522	2502068	

Source: Compiled From IRDA Annual Reports

FINDINGS OF THE STUDY:

The economic reforms will have a long term impact on the economic landscape of the country. A lot has been spoken about the insurance laws (amendment) Bill over the last few months while the overarching theme of the bill to empower the regulator, one of the most keenly tracked propositions is the increase in composite foreign ownership cap to 49 percent from the existing 26 percent. India's insurance penetration is far below the world average of 6.3 percent, largely due to limited of financial constraints and literacy among the masses. In India life insurance is primarily sold as a tax saving instrument rather than risk coverage product. There is a considerable amount of misinformation about insurance in the mind of average Indian investor and hence a crying needs to change people and outlook on insurance. Latest reforms and their impact on the entry and growth of foreign players in the market still have to pan out and the ideas about the same can only be acquired once a company dives into the market. Private players in the life insurance are growing at a scorching pace. They are investing heavily in the Indian market and thereby, driving sales because they see India emerging as one of the biggest markets in the Asian region. Of course the private insurance sector has also steadily increasing its ad spend from Rs 29 crore (290 million) in fiscal 2001 when industry opened up to Rs 92 crore (920 million) the following year. Since insurance is a service provided by profit making companies in both private and public sectors, it involves certain costs towards operations and management. Indians have an inherent mistrust of private companies in the insurance sector and think twice before buying their policies.

CONCLUSION:

The future of India's insurance sector looks bright. The country has a favorable demographic, growing awareness, investment friendly government which is constantly working towards framing policies that can attract investment, customer-centric products, and practices that give businesses the best possible environment to grow. Regulatory developments in the recent years show the focus on increasing elasticity in competitive strategies such as niche focus, merger and acquisitions and removing structural irregularities in the products and operations. While these initiatives would enable long term industry growth the role of regular in providing an enabling environment to achieve profitable growth in the near to medium term cannot be undermined. The life insurance industry as a whole needs to address the challenge of conserving capital and keep reinventing itself to a whole new generation of customers. In a country is as diverse, insurers are expected to follow a multi-channel approach. There is enormous opportunity for insurers who can get ahead of the turn through identifying models and implementing new product solutions that would enable them to react quickly and effectively to changes in the environment. There is an urgent need to take initiatives to revamp the agency channel to become cost effective and I tandem, identify alternative networks that complement the existing channels. The relationship between people and technology is one of the key drivers for the growth of the industry led with regulatory changes which will provide the much needed incentive.

REFERENCES:

1.Dr. Uma Rani Purusothaman (2013), “A Case Study on Growth of Investment in Life Insurance in India”, TRANS Asian Journal of Marketing & Management Research Vol.2, Issue 7, ISSN 2279-0667, pp. 26-36.
2.Nikita Kumari (2015), “Determinants of Insurance Investment: A case study of Life Insurance Corporation of India”, ELK Asia Pacific Journal of Finance and Risk Management ISSN (Print): 0976-7185; ISSN (Online): 2349-2325, Volume 6 Issue 3, pp. 73-86.
3.Monalisa Ghosal (2012), “Role of Insurance in Economic Development of India”, ZENITH International Journal of Business Economics & Management Research Vol.2 Issue 7, ISSN 2249 8826, pp. 81-92.
4.Annual Report-2015-16 IRDA.
5.Economic Survey of India-2015.