

# Foreign Direct Investment on Insurance Sector in India

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**Abstract-** FDI can serve many purposes for the welfare and development of the country by focusing on the infrastructure. Insurance sector still have a huge potentiality for building long term finance at least for next 30 years or more. FDI important role in the rapid development of the insurance sector. Objective of the study is benefits of FDI in insurance sector in India. Using descriptive research and secondary data for this study. Conclude that Foreign direct investment can help to development of Insurance sector in India and amount of Foreign direct investment increasing year by year.

**Index Terms-** FDI, Insurance, Growth, investor perspective.

## 1. INTRODUCTION

Life insurance was first setup in India through a British company called the oriental life insurance company in 1818. Bombay Assurance Company in 1823. Madras equitable Life Insurance Society in 1829. In 1912 two sets of legislation were passed are: The Indian Life Assurance Companies Act and the Provident Insurance Societies Act in 1956 Life Insurance Corporation of India was set up Indian Government and nationalization of Indian insurance companies in 1956. In 1999 Government of India Passed the Insurance Regulatory and Authority of India Act [IRDA]. After making a proper regulation to Insurance sector, Indian government can give new licenses are being given to private companies. After introduction of liberalization, globalization and privatization in India increase the foreign direct investment and today given 49% to Insurance sector.

## 2. BACKGROUND OF THE STUDY

Liberalization policy has been introduced in India since 1991 by the finance minister Dr. Manmohan Singh, thought the contribution of public sector insurance company in the Indian business is immense and noticeable and having 90% of the total business of it. Foreign direct investment (FDI) is a direct

investment into production or business in a country by an individual or company of another country. Either by buying a company in the target country or by expanding operations of an existing business in the country. FDI can serve many purposes for the welfare and development of the country by focusing on the infrastructure. Insurance sector still have a huge potentiality for building long term finance at least for next 30 years or more.

FDI important role in the rapid development of the insurance sector:

### ❖ Capital for expansion:

FDI as the potential to meet India's long term capital requirement to fund the business of infrastructures which is critical for the development of the country. Infrastructure as been major factor which as restricted the progress of the India economy. Insurance sector has the capability of rising long term capital from the masses as it is the only avenue were people put in money for as long as 30 years and even more. On increasing in FDI in insurance would indirectly be a boon for the Indian economy. The investment not withstanding but by making more people invest long term funds to few fuel the growth of the Indian economy.

### ❖ Wider scope of the growth:

FDI in insurance would increase the penetration of insurance in India, where the penetration of insurance is abysmally low with insurance premium at above 3% of GDP against above 8% global average. This would be better through marketing effort by MNC's, better product innovation, consumer education etc.

### ❖ Moving towards global practices:

India's insurance market lags behind other economics in the base line measure of insurance penetration. At only 3.1%, India is well behind the 12.5% for the

UK, 10.5% for Japan, 10.3% for Korea and 9.2% for the US.

Provide customers with competitive products come more options and better service levels:

Opening the FDI in the insurance sector would be good for the consumer's in lot of ways. Increasing FDI limit impact at lot of industries in a positive way and we could even do without the FDI in many other sectors like real estate.

### 3. LITERATURE REVIEWS

Yogesh shikhare (2015) : this unprecedented growth of FDI in 1990 around the world make FDI an important and vital component of development strategy in both developed and developing nations and policies are design in order to stimulated inward flows. Prof. Krunal soni (2017): Indian life insurance sector, since this sector need huge amount of capital investment which can be done effectively only through increase in FDI and it enhance overall performance of insurance sector. This paper highlights the impact of FDI in Indian insurance sector. Dr. S.K. Hegde & prof. shriharsha (2014): The insurance sector in India has a great potential even during the downtrend and FDI flow is expected to rise in the mere future. This paper highlights life insurance business in India needs a special care as compared to other business face more challenges and number of players. This is the time to re-engineer the business models. Dr. Subhash D pawar (2013): India is no doubt a growth economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing insurance market. Smt. Chandra kantha. K. D & Dr. M. Ramachandran gowda (2016): FDI plays a key role in the globalization process in terms of financing, transferring of skills, knowledge and technology between countries.

Ms. Reena Talwar & Dr. Saiyedwajid Ali (2015): FDI is a global phenomenon, high on the agenda of all countries, rich or poor, in the current era of interdependent world order .this paper highlights FDI in insurance sector in India. FDI goes to counters that are easy to do business, India as a lot to improve in this direction. Aamir Hasan (2015): the amendment bill hikes foreign direct investment cap in the insurance sector to 49% from present 26%.the overview of the Indian insurance sector along with

the opportunities due to expansion of FDI in insurance in India and the major challenges that it faces. Chen ji & Steve Thomas (2001): The development of the Chinese insurance industry from 1949 to the present, with particular emphasis on the post- 1979 period and the role of FDI. This paper highlights the role of foreign insurance companies in china's emerging insurance industry an FDI cash study. Dr. Jasbir Singh, Ms. Sumita Chadha & Dr. Anupama Sharma (2012): A vital role in economic development of any country FDI is one and only major investment of attracting international economic integration in any economy. This paper highlights FDI in India. FDI adapted environment friendly techniques to maxi miss the profit of the insurance companies. S Apparao (2015): it an attractive country to invest in particularly in its rapidly growing and changing insurance market. Indian insurance industry is one of the sunrise sectors with huge growth potential. This paper highlights the FDI in insurance sector in India. This can be regulated by IRDA.

### 4. OBJECTIVE OF THE STUDY

- Find out benefits of FDI limited in insurance sectors.

### 5. RESEARCH METHODOLOGY

In this study using secondary data form internet sources and using descriptive research methodology. Sampling size is using nine years from 2005 to 2014.

### 6. DATA ANALYSIS

Foreign direct investment on insurance sector in India from 2005-06 to 2013-14. This study objective is to know about benefits of foreign direct investment in India on insurance sector. Using secondary data for this analysis.

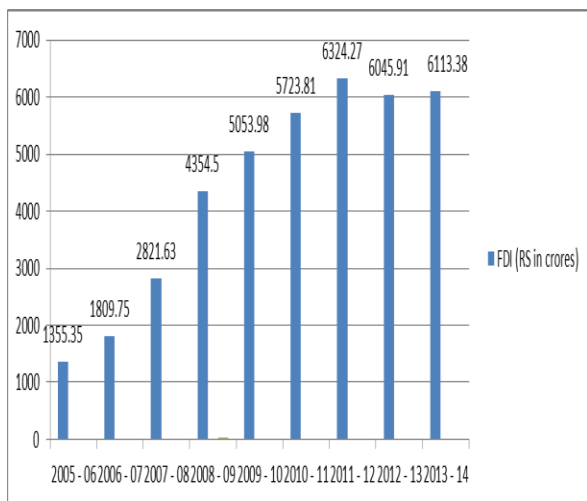
Growth of Foreign Direct Investment in India in crores.

Table – 6.1

Year	FDI (RS in crores)
2005-06	1355.35
2006-07	1809.75
2007-08	2821.63
2008-09	4354.50
2009-10	5053.98

2010-11	5723.81
2011-12	6324.27
2012-13	6045.91
2013-14	6113.38

Chart – 6.1 Growth of FDI in India



In the above graph says that foreign direct investment in India in insurance sector. Foreign direct investment increasing continuously by expect in the Year 2012 – 2013. In the year 2012 – 13 FDI amount will decreased compare to other years.

## 7. CONCLUSION

Foreign direct investment in Indian insurance sector is changed in the year 2014 by government of India 26% to 49% after 14 years long. Foreign direct investment helps insurance industry capitates with their competitors and provides more services and products to their customers and help to infrastructure development in India and help expansion of their operation in outside India and in their home country for provide services to publics for safe grading their life and development of society.

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