

# Trend of FDI in Non-life Insurance sector in India

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**Abstract - FDI plays a vital role in the economy because it does not only provide opportunities to host countries to enhance their economic development but also open new vistas to home countries to optimize their earnings by employing their ideal resources. The insurance sectors playing a vital role in both Indian and Global markets. The Insurance sector in India has a great potential even during the downtrend and FDI flow is expected to rise in the near future. Foreign Direct Investment (FDI) has allowed in private insurance companies in India, under an act of IRDA with a limit of foreign equity of 26%.The govt. of India passed the IRDA Bill-2008 in the parliament and increased the FDI in Insurance sector 49 percent. The Insurance sector in India has a great potential even during the downtrend and FDI flow is expected to rise in the near future. This Paper mainly focus on the Foreign Direct Investment in the Non-life Insurance sector and its significance in insurance sector in India. This paper attempt to current status of FDI in insurance sector in India.The positive role of FDI in Insurance sector in India.**

**Key words: growth rate, equity share, FDI, IRDA**

## I. INTRODUCTION

The government of India passed the IRDA bill-2008 and increased the FDI in insurance sector 26 percent to 49 percent. The private companies allowed after establishment of IRDA in 1999 with 26 percent of foreign direct investment (FDI). In Dec. 22, 2008 the insurance law bill, 2008 was introduced in the Rajya Sabha under chairmanship of shri Anant Kumar with the recommendation of the increased FDI 26 percent to 49 percent. Insurance plays a very vital role in the life of an individual in providing economic security and strengthening spirit of entrepreneurship-necessary for growth of the nation. Insurance may be described as a social device to reduce or eliminate risk of life and property. Insurance word is not new concept in India. History of Indian insurance sector is very old. Insurance

activity has been going on for more than 150 years. In 1956, the government of India, decided to nationalize insurance business and brought together over 245 Indian and foreign insurers and provided societies taken over by the central government and nationalized. Life Insurance Corporation formed by an act of parliament LIC Act 1956. With a capital contribution of Rs.5 crore from the government of India. The general insurance business continued to thrive with the private sector till (in) 1972. The general insurance companies work on restricted to organized trade and industry in large cities.

The general insurance business (nationalization) act, 1972 with effect from 1<sup>st</sup> January, 1973. 107 insurers amalgamated and grouped into four companies: - national insurance company ltd, The Oriental insurance company Ltd, The New India Assurance company ltd. And the United India insurance company ltd. Before 1971, the general insurance corporation in India was incorporated as a company. It commences business started 1<sup>st</sup> January 1973. According to IRDA report 2012, there are 52 insurance companies both life and non-life insurance companies operation in India; of which 24 of life insurance companies and 27 of non life insurance companies. In addition GIC in the sole national reinsurer. With included 8 public (one life insurance, 6 non-life insurance and one reinsurance) and 44 of private insurance companies (23 life, 21 non-life insurance companies).

## II. OBJECTIVES OF THE STUDY

- To examine the role of FDI in Non-Life Insurance sector in Indian.
- To examine the trend of foreign promoter in Non-Life Insurance sector.
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## III. REVIEW OF LITERATURE

**Rao (1999)** analyzed the privatization and globalization of insurance sector and the pattern and growth of life insurance business in India during period 1993-94. The study is based on secondary data and the data has been taken from annual report of LIC, Nation account statistics, and CSO. The study implemented for the presentation of data which include the use of tables and methods kinked Exponential fit and dummy variable. In the study the researcher has used variable such as- income, premium income, net investment income and outflow etc. and found that due to an increase in rural business and group insurance there has been a significant growth in the life insurance business.

In theoretical discussion **Pant (1999)** revealed restructuring and liberalisation of insurance sector, the growth of the Indian insurance sector and insurance regulations of development bill 1999. The study explored that ultimate analysis will see increasing involvement of these powerful players in the Indian scenario. It is necessary that we turn this involvement and association into a positive value is addition to the growth of the Indian insurance sector in particular and Indian economy in general. The study also explored IRDA 1999 bill which was about the power and functions of IRDA for specifying the percentage of life insurance business to be undertaken by the insurer in the rural and social sector.

**Mishra and Bhanagan (2009)** found out the performance of the private insurance companies. The data has been collected from IRDA. The study has undertaken variable such as life insurance, general insurance and re-insurance. The study found that the number of private life insurance companies has increased their market share from 14.25 percent in 2005-06 and 18.08 percent in 2006-07 and the private general insurance companies has increased their market share from 15.62 percent in 2005-06 and 21.51 percent in 2006-07. The private insurance companies have

increased the number of policies which compared to the public companies. Private insurance companies are gaining the confidence of the consumer.

**Meena (2011)** concluded the nature of foreign institution investment in private life insurance companies in India and FDI impact on premium collection of private life insurance companies. The data has been collected from IRDA journals, life insurance companies and related books. The researcher used top five private companies. Allowing FDI and private companies, the new companies have improved the service quality of the life insurance. So that the market share of LIC has decreased after participation of private companies and FDI.

#### IV. METHODOLOGY

Methodology is an important part of the research. Methodology is used to know what are the methods applied to the analysis of the study. In order to fulfill the objectives of the study following methodology is used in the research:

**Growth Rate:** Growth rate is the rate of increase in size per unit time. Calculating Per cent Growth Rates:

The per cent change from one period to another which is calculated from by formula:

GR

Where: GR = Growth Rate

The annual percentage growth rate is simply the per cent growth divided by N, the number of years.

**Percentage share:** A percentage is a portion of a whole expressed as a number between 0 and 100 rather than as a fraction.

#### Data Analysis

In order to examine the role of FDI in non life insurance sector in India, the study utilizes the annually time series data from 2008-09 to 2017-18.

**Equity Share Capital of Life Insurers (Rs. In crore)**

years	Share of Non-Life Insurers	Share of Foreign promoter (FDI)	Share of Indian promoters
2008-09	4829.9	676.61	4153.29
2009-10	5684.67	896.32	4788.35
2010-11	6705.89	1090.08	5615.8
2011-12	7826.1	1324.45	6501.65
2012-13	9519.65	1586.63	7933.02
2013-14	10140.22	1678.86	8461.36
2014-15	11504.28	1884.51	9619.77
2015-16	12603.39	2462.99	10140.40
2016-17	13127.85	3503.57	9624.28
2017-18	14970.68	3805.30	11165.38

**Source:** varies annual report of IRDA

This table shows that equity share of insurance companies both public (Life Insurance corporation) and private companies. The equity share capital of Non-life insurance sector 4829.9 crore.in financial year 2008-09 to increased 14970.68 crore in financial year 2017-18. The equity share capital of FDI and private sector also increased in the same financial year.

**Growth Rate (%)**

years	Non-Life Insurers	Foreign promoter(FDI)	Indian promoters
2009-10	17.70	32.47	15.29
2010-11	17.96	21.62	17.28
2011-12	16.70	21.50	15.77
2012-13	21.64	19.80	22.02
2013-14	6.52	5.81	6.66
2014-15	13.45	12.24	13.70
2015-16	9.55	30.70	5.42
2016-17	4.16	42.24	-5.09
2017-18	14.03	8.41	16.01

This table shows that growth rate of equity share of Non-life insurers with Indian promoters and foreign promoters. In financial year 2008-09 the growth rate of Non- life insurers 17.70 percent with foreign promoters (FDI) and Indian promoters 32.47 percent and 15.51 percent respectively. In this financial year Indian economy is good condition. This time Indian GDP grown near about in **between 8-9 percent**. But after this financial the growth rate of Non-life insurance sector decreased. This reason was globe financial crises in the world so the growth rate of non- life insurance sector in FY 2017-18 14.03 percent with 8.41 percent foreign promoter and 16.01 percent Indian promoter respectively.

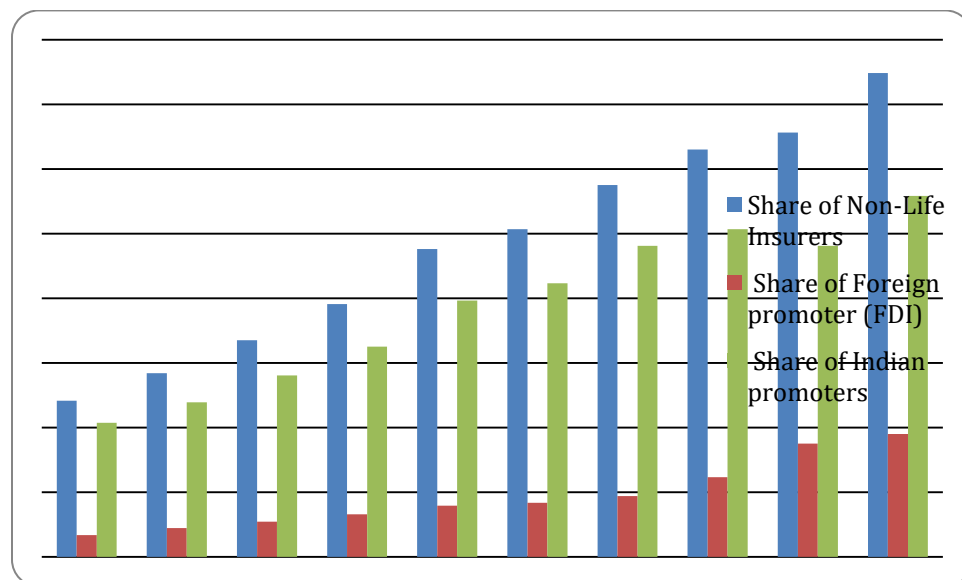
### Share of Foreign and Indian promoters in Non- Life Insurers (%)

Years	Share of Foreign promoter	Share of Indian promoters
2008-09	14.01	85.99
2009-10	15.77	84.23
2010-11	16.26	83.74
2011-12	16.92	83.08
2012-13	16.67	83.33
2013-14	16.55	83.44
2014-15	16.38	83.42
2015-16	19.54	80.46
2016-17	26.69	73.31
2017-18	25.41	74.58

This table shows that Share of Foreign and Indian promoters in Non- Life Insurers. The share of Non-life insurance sector Indian promoter and foreign promoter 74 percent and 26 percent respectively. Because the FDI limit in insurance sector only 26 percent. (Now this is increased 49 percent in July 2014). In FY 2008-09 the share of foreign promoter 14.01 percent with 85.99 percent of Indian promoters. In July 2014 the govt. of India increased the FDI limit in Insurance sector 26 percent to 49 percent.

#### Diagram of Share of Foreign and Indian promoters in Non- Life Insurers:

The diagram shows that Share of Foreign and Indian promoters in non-Life Insurers. The share of life insurance sector Indian promoter and foreign promoter 74 percent and 26 percent respectively. Because the FDI limit in insurance sector only 26 percent. (Now this is increased 49 percent in July 2014). In FY 2008-09 the share of foreign promoter 23.86 percent with 76.14 percent of Indian promoters. In July 2014 the govt. of India increased the FDI limit in Insurance sector 26 percent to 49 percent. Now in FY 2017-18 the share of Indian and foreign promoters is 3805.30 cores and 11165.38 cores percent respectively. This is shows in diagram.



## V. CONCLUSION

The main focus of this paper is to check out the role of FDI in non- life insurance sector in India during 2008-09 to 2017-18 by growth rate and percentage share. The growth rate of Private Non- Life Insurance Corporations has decreased after FDI increased up to 49 %. The growth rate of private sector and foreign promoters has increased in FY 2008-09. The Indian economy was growing fast. After this financial year the equity share capital of Non-life insurers and both foreign and Indian promoters has decreased. The decrease in insurance sector is due to global financial crises. The growth rate of non-life insurance sector is 17.70 percent with 32.42 percent and 15.29 percent of foreign promoters and Indian promoters respectively in the 2012-13 financial years. This is increased in financial year 2017-18.

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