

Research Article

THE PERFORMANCE OF INDIAN INSURANCE COMPANIES IN ECONOMIC DEVELOPMENT DUE TO FDI

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Abstract

Insurance plays very important role in every citizen of India. It reduces the losses from the uncertain risks. It can be categorized as life insurance and non-life insurance. Life insurance is for the life of the person, but non-life insurance is for the risks caused by fire, marine and other accidental uncertainties. Insurance is not only benefit to the person for also to the economy, there can be mobilization of the money in the form of premium and reinvestment of such money into others. Foreign Direct Investment enhance the increase in the growth and performance of the insurance industry that why in the recent years government provide more importance to the attraction of FDI in Insurance sector. The present study focuses on the secondary data which can be collected through the reports of government publications and others. The main aim of the study is to evaluate the performance of insurance sector with the support of foreign direct investment.

Keywords: Insurance, FDI, Performance, Government, Investment.

Introduction:

Insurance is a means of protection from financial losses. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Even after the liberalisation of insurance sector, the public sector insurance companies have continued to dominate the insurance market. The major role played by insurance sector is to mobilize national savings and channelize them to savings and channelize them to investment in the different sector of economy. Foreign direct investment is the process whereby resident of one country acquire ownership of assets for the purpose of controlling production, distribution activities of firm in another country. India is the third most attractive Foreign Direct Investment destination in the world. The purpose of expanding and enriching their insurance and reinsurance business under diverse insurance categories. The existing limit of FDI in insurance sector in India is increased from 26% to 49% which is permitted to be made through the Automatic Route with proper license from the Insurance Development and Regulatory Authority (IRDA) of India.

Review of Literature:

Dr. Subhash D Pawar (2017) conducted a research on “ A Study on role of Foreign Direct Investment and Insurance Sector”. He concluded that FDI plays an important role in the economic development of the country. The objective of the study is to investigate the Indian Insurance Industry and review current policy and regulations with a view point of foreign investors so as to gain an understanding of the current position on FDI, as well as an overview of the Indian Policy and Regulation Environment.

Ms. Rajni Goel (2016) made a research on “ A Study on Foreign Direct Investment and Insurance Sector in India” she explains the pattern of FDI in insurance sector and the government regulations in the said sector. The research explains on the current trends in the insurance sector and its challenges and prospects.

Aamir Hasan (2015) conducts a research on “ A Study on Analysis of FDI on Insurance Sector in India” the author focuses on the overview of the Indian insurance sector along with the opportunities for the expansion of FDI in insurance in India and also shows a light on major challenges faced by FDI in insurance sector.

Research Gap:

There are many studies have been done on the topic FDI in Insurance sector but no study has been done on the performance of insurance industry after the implementation and increase the rate of FDI.

Objective of the Study:

The primary objective of the study is to evaluate and analyse the performance of the insurance industry after the implementation of effective FDI rates.

Research Methodology:

The present study includes only secondary data. The data collected from the Insurance Regulatory and Development Authority of India’s website and other related citations are taken for the study. The data also collected with the help of other publications, journals, web-sources, and newspapers etc.

The data analysis is done with the help of tables.

Scope of the Study:

The present study covers only the FDI and its impact on the Insurance sector. The present study covers only the Insurance sector in India by keeping all others things constant.

Significance of the Study:

The major role played by insurance sector is to mobilize national savings and channelize them into investment in different sectors of the economy. FDI in insurance would increase the penetration of insurance in India. FDI can need India’s long term capital requirements to find the building of infrastructure.

Limitations of the Study:

- The present study is based on secondary data only.
- Time and cost constraint.
- The study covers only the insurance companies in India.

Results and Discussions:

This section provides a light on the performance of the insurance sector with the influence of FDI.

Table No.1: Number of Insurance Companies in India.

Types Insurance	Public Sector	Private Sector	Total
Life Insurance	01	23	24
General Insurance	06	22	28
Re-Insurance	01	0	01
Total	08	45	53

(Source: IRDA Report.)

The above table shows that, in India only 1 public life insurance and 23private life insurance companies are present. Among general insurance 6 companies are public and 22 private sector industries. Only re-insurance company present in India. LIC (Life Insurance Corporation) is the only public life insurance company. Swiss Reinsurance Company is the only reinsurance company in India.

Table No.2: Major Insurance Companies Market Share.

Companies	Share in Percentages
LIC	70.4%
SBI	5.1%
ICICI	4.9%
HDFC	4.1%
Bajaj Allianz	2.08%
Max Life	2.08%
Birla Sun Life	1.6%
Reliance	1.12%
Others	8.06%

(Source: Technological Science Research, LIC)

From the above table can be interpreted that, life insurance sector has collected 70.4% of market share, State Bank of India has collected 5.1% of market share, ICICI has collected 4.9% of market share, HDFC has collected 4.1% of market share, Bajaj Allianz and Max Life has collected same percentage of market share i.e, 2.08%, Birla Sun Life has collected 1.60% of market share, Reliance Life has collected 1.12% of market share and other insurance companies have collected 8.06% of market share. However it can be concluded that among all the above listed companies, LIC is on leading position with highest market shares.

Table No. 3: Foreign Direct Investment in Insurance in difference countries.

Country	FDI in Percentages
Japan	100%
China	50%
India	49%
Indonesia	80%
Vietnam	100%
Malaysia	51%
South Korea	100%

(Source: IRDA Report.)

The foreign direct investment limit for insurance in India is the lowest globally. China, Indonesia and Malaysia have a foreign direct investment limit of 50%, 80% and 51% respectively. Japan, South Korea, Vietnam, Hong Kong and Taiwan allow 100% foreign direct investment limit in insurance are a welcome move, which aims the global investors to bring required foreign capital to meet the industry needs.

Non- Life Insurance industries have lot of positive changes after the increase of the foreign direct investment in insurance sector in India. There is little bit increase in the percentage of the grievances resolve in the insurance sector in India. The performance is comparably increased year by year. Insurance Laws Act, 2015 provides for enhancement of the Foreign Investment Cap in an Indian Insurance Company from 26% to an Explicitly Composite Limit of 49% with the safeguard of Indian Ownership and Control. Insurance penetration of India i.e. Premium collected by Indian insurer is 3.44% of GDP in financial year 2016-17. Per capital premium underwritten i.e. insurance density in India during financial year 2016-17 is 54.7 dollars.

Conclusion:

Foreign direct investments have estimated that the insurance sector in India can grow by over 125% in the next ten years. India has been identified as one of the fastest growing insurance

markets. Foreign direct investment in insurance may bring product innovation and technological innovation and control the risks. The present global economy is growing and may not be in the interest of the Indian Insurance sector.

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