

Growth of Insurance Industry in India: A SWOC Analysis

Dr. Ravikumar S. Naik¹ Mr. Rhushikesh. B. Patil²

¹Associate Professor ²Research Student

¹Department of Economics

^{1,2}D. R. K. College of Commerce, Kolhapur, Affiliated to Shivaji University, Kolhapur. Maharashtra, India

Abstract— According to United Nation report entitled ‘World Population Prospects 2012’ the current world population is 7.2 billion. Every economy focuses on human development with concern to health and welfare, infrastructure, education and security. Huge investment is required to achieve the sustainable development of economy. Insurance industry is one of the instruments to invest and save. Human life and business faces the risk of uncertainty and this risk can be covered by insurance sector. In the developed countries large numbers of people invest their money in insurance sector as compared to developing and underdeveloped countries for covering the risk of uncertainty. Insurance industry is one of the sources for risk management, infrastructure development, employment generation, saving and investment. Insurance sector contributes to country’s economy growth. The people all over the world mostly invest in life and non-life insurance. The present research paper focuses to study the growth of insurance sector in India, SWOC analysis of Insurance industry and government policies for the development of insurance industry. Insurance sector has huge potential for business expansion in Indian economy.

Keywords: Insurance Industry, Economic Development, Opportunity, Life Insurance, Non-Life Insurance, Challenges

I. INTRODUCTION

Investment is most important concept for economy development because it creates capital for the infrastructure development of the country and help the people to make saving. Insurance industry is a major instrument for mobilizing of investment as well as saving of all peoples whether of high income, middle income or low income groups. Insurance contributes to the economic growth of the society by afford stability to the functioning of mobilization process. The insurance industries help to develop financial institutions and reduce uncertainties by raising financial resources.

Insurance refers to a contractual arrangement in which one party, i.e. insurance company or the insurer agrees to compensate the loss or damage sustained to another party, i.e. the insured, by paying a definite amount, in exchange for an adequate consideration called as premium.

Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency.

Source: <https://cleartax.in/s/insurance>

A. Types of Insurance

Insurance can be classified in two categories viz., Life insurance and General insurance.

Life Insurance and General insurance can be further classified as shown under:



Fig. 1:

B. Life Insurance

Life insurance covers the risk of the life of the insured. In this, the nominee will get the policy amount, upon the death of the insurer. This is also called as an Assurance, as the event, i.e. death of the insured is certain. The payment of the policy amount on the maturity will be made in one shot (lump sum) or periodical installments, i.e. annuity.

C. General Insurance

Any insurance apart from life insurance comes under general insurance. It is classified into three categories fire, marine and miscellaneous. In this type of insurance, the policyholder gets the compensation only when the event of risk is caused to him, due to the reasons indicated in the policy. It is also called as non-life insurance. Principles of Insurance.

Swiss Re’s world insurance study 2018 is based on direct premium data of 147 countries with complete information on the largest 88 markets. World insurance premiums rose 1.5 percent in 2018, adjusted for inflation, to \$5.2 trillion, reaching the \$5 trillion mark for the first time. 2018’s rise was above the 1.2 percent growth recorded in 2008 to 2017. Nonlife premiums grew 3.0 percent in 2018, adjusted for inflation, faster than the 2.2 percent growth from 2008 to 2017. Life insurance premiums grew 0.2 percent in 2018, falling behind the 0.6 percent rise in 2008 to 2017, adjusted for inflation.

Rank	Country	Life Premium	Non-Life Premium	Amount	% change	% of total world premiums
1	United States (3), (4)	\$593,391	\$875,984	\$1,469,375	5.0	28.29%
2	PR China (4)	313,365	261,512	574,877	6.2	11.07
3	Japan (4), (5)	334,243	106,405	440,648	3.8	8.49
4	United Kingdom (4)	235,501	101,009	336,510	5.2	6.48
5	France (4)	165,075	92,888	257,963	5.6	4.97
6	Germany (4)	96,439	145,046	241,485	6.3	4.65
7	South Korea (5)	98,072	80,951	179,024	-1.2	3.45

8	Italy	125,341	44,933	170,273	6.9	3.28
9	Canada (4), (6)	54,070	73,833	121,181	5.5	2.46
10	Taiwan	102,044	19,864	121,908	3.8	2.35

Table 1: World Top 10 Countries by Life & Nonlife Direct Premiums Written, 2018 (1) (US\$ millions)

Source: Swiss Re, *sigma*, No. 3/2019

Table no.1 above shows the figures for top ten countries in the world of life and non-life insurance premium. United state ranks first with 28.29% of total world premium and China and Japan stood second and third with premium of 11.7 and 8.49 percentage of the total world premium respectively. Insurance sector looked upon as a helpful instrument of investment, savings and risk coverage of life and non-life. It also contributes to employment generation of economy.

Indian economy is a third largest economy of the world. But in recent years Indian economy growth rate has declined. Insurance industry is great opportunity to contribute in raising Indian economy GDP. Insurance industry helps to generate employment, capital formation, infrastructure and social development. The present research paper aim is to study the contribution of insurance sector in Indian economy development and employment generation.

II. LITERATURE REVIEW

This research paper is supported by the review of few literature studied previously. The literature reviewed for present research paper is as follows:

- Dr. M.Subba Rao, R. Srinivasulu - Contribution of Insurance Sector to Growth and Development of the Indian Economy OSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X. Volume 7, Issue 4 (Jan. - Feb. 2013), PP 45-52 www.iosrjournals.org they studied the contribution of insurance sector in economic development and concluded that insurance sector has increased tremendously after establishment of IRDA. Contribution of Insurance sector is very high in Indian economy development.
- Suman Sahu, Srishti Dixena - Role of Insurance Sector in Economic Development of India IJSRD - International Journal for Scientific Research & Development| Vol. 6, Issue 11, 2019| ISSN (online): 2321-0613 they studied the role of insurance sector in economy development. Their research paper concludes the growing interest towards insurance among people, innovative products and distribution channels are sustaining the growth of the insurance sector. Insurance sector is flourishing day by day.
- Zuzana Richterová, Petr Koráb Received: April 11, 2013 Impact Of Insur Ance Sector Activity on Economic Growth – A Meta-Analysis (ACTA Universitatis Agriculturae ET Silviculturae Mendelianae Brunensis Volume LXI) He used meta-analysis statistical technique for analysis of data. This paper studied the relationship between insurance premium and economic growth which was found positive.

III. OBJECTIVES

- To study the impact of insurance industry on Indian economy.
- To study the challenges faced by Insurance industry in India.
- To study the economic and financial benefits of Insurance industry.

IV. RESEARCH METHODOLOGY

The present study paper is of descriptive nature. Secondary data is used for the study presented in this paper. Information related to Insurance industry, is collected from the secondary source of data.

A. Growth of Insurance Industry in Indian Economy

Indian economy is a developing economy of the world. The total population as per 2011 census was 121 crore and 68.83% of this population live in rural area. Insurance sector is one of the attractive instruments for generating investment. Today it is seen that the insurance sector is growing slowly. Due to increasing awareness among the people about the risk of uncertainties related to life and non-life, people opt to invest in insurance sector to cover the risk. But, still it is seen that people hesitate to invest in insurance company due to lack of knowledge, fear of fraudulent, uncertain income, etc. Hence, insurance sector in India has not gained optimum growth.

2001 overall insurance premium contribution in Indian GDP percentage is 2.71 is reached 3.69 per cent in 2017 year, this shows the slowly increasing trend in insurance sector. In India insurance industry is expected to reach US dollar 280 billion by 2020. Life insurance sector in India is expected to annually growth 12 to 15 per cent in next three to five years. Economy reached insurance gross premiums of Rs. 5.53 trillions in financial year 2018 with life insurance Rs.4.58 trillions and Rs.1.51 trillions non-life insurance. Insurance sector has robust economy development. Present research paper studied the role of insurance sector in economy development.

B. Indian Insurance Market

In India there are 53 insurance companies. There are 24 life insurance business and 29 non-life insurance. Life Insurance Corporation (LIC) is the only public sector life insurance company in India. Among 29 non-life insurance there are 6 public sector insurance companies. To study the insurance company's development in India it is necessary to study the performance of the Insurance Companies during pre and post reform period. During the pre-reform period evolution of insurance was marked by two important formation in Indian insurance sector - Firstly all life insurance companies were nationalised to form LIC in 1956 to increase penetration and protect policy holders from mismanagement and second the non-life insurance business was nationalised

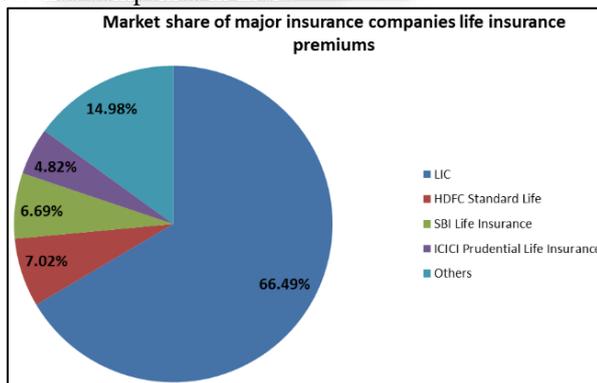
to form General Insurance Corporation of India (GIC) in 1972.

During post reform period major steps were taken to ensure growth of insurance industry in India. Those steps were as follows:

- Malhotra Committee recommended privatization of insurance sector. This resulted in the growth of private players. Post liberalization period, the insurance industry recorded significant growth; the number of private players increased to 46 in 2017
- Insurance Regulatory and Development Authority (IRDA), LIC and GIC Acts were passed in 1999, and IRDA was announced as the statutory regulatory body for insurance which ended the monopoly of LIC and GIC.
- In December 2014, Government approved the ordinance to increase Foreign Direct Investment (FDI) limit in Insurance sector from 26 % to 49 %. This would likely to attract investment of US\$ 7-8 billion.
- In 2015, Government of India introduced Pradhan Mantri Suraksha Bima Yojna and Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana and Health insurance in 2015.
- National Health Protection Scheme will be launched under Ayushman Bharat, as per Union Budget 2018-19. Insurance companies raised more than US\$ 6 billion from public issues in 2017.

Insurance Regulatory and Development Authority (IRDA) was established in 1999 to control the insurance sector. Regulating, promoting and ensuring orderly growth of the insurance and re-insurance business in India are the functions of IRDA.

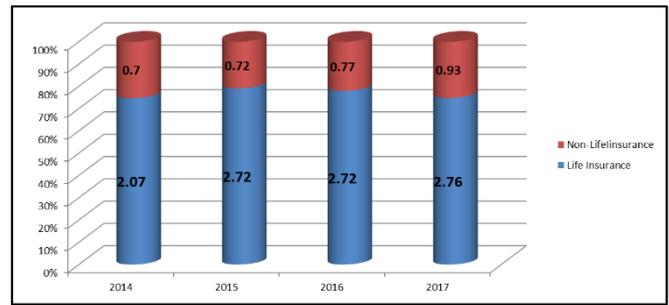
From the research study it is observed that the insurance sector has growing trend in Indian economy. Following graph reflects the market share of major life insurance companies in India.



Graph 1:

The above graph shows that LIC public insurance company is the leading life insurance company having highest share i.e., 66.49% in insurance market. LIC is followed by SBI life insurance, HDFC standard life, ICICI prudential life insurance and others having 7.02%, 6.69%, 4.82%, and 14.82 % share in market respectively.

Following graph shows the penetration of Life and Non- life insurance in India for the period of 2014-17



Graph 2:

At 3.69 per cent, India was ranked 41st in 2017 in terms of insurance penetration with life insurance penetration 2.76 per cent and non-life insurance penetration at 0.93 per cent.

In terms of insurance density India was ranked 73rd in 2017 with overall density at US\$ 73.

C. Key for Insurance Growth in India

Growth in Financial Industry: Insurance sector help to overall growth of financial industry and awareness about financial products including insurance is rising.

Innovation and Efficiency: It is a one of the growth driver of insurance sector in India. Potential of insurance customers is increasing through individuals and companies across the different industries, small and medium enterprises and multinational companies.

Growth in specific segments: Insurance sector development is possible through the various activities such as:

- 1) Increase in micro insurance due to increased focus of government on financial inclusion.
- 2) Increase in demand of motor insurance as a by-product of rapidly expanding auto industry.
- 3) Increase in health insurance due to focus on improvement in healthcare.
- 4) Group insurance has also been a big driver of insurance growth in the country. Number of lives covered under private life insurance companies reached 36.20 million up to June 2018, showing year-on-year growth rate of 27.48 per cent.

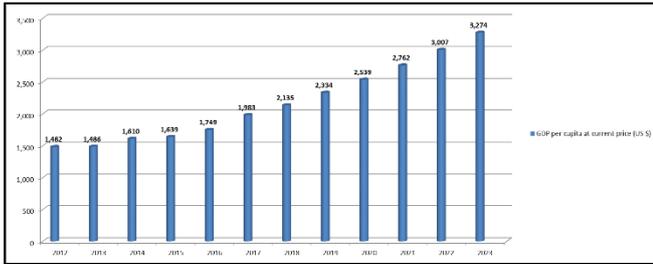
The key factors mentioned above will help the robust Indian economy to sustain the growth in insurance industry. Following results are expected to sustain the growth of insurance industry in India:

Higher personal disposable incomes would result in higher household savings that will be channeled into different financial savings instruments like insurance and pension policies.

Per capita GDP of India is expected to reach US\$ 3,274 in 2023 from US\$ 2,135 in 2018.

D. Growth of Insurance Sector in Indian GDP

The growth of insurance sector in Indian GDP per capita income at Constant prices for the period of 2012- 2023 is studied during the research and the study shows that per capita GDP at current prices of India is expected to reach US\$ 3,274 in 2023 from US\$ 1482 in 2012. Following graph shows continuous rising trend of per capita GDP at current prices of insurance sector in India:



Graph 3: Growth of Insurance Sector in Indian GDP
Source: <https://www.ibef.org/insurance-jan-2019>

E. Performance of Insurance Industry in India

The performance of Insurance industry in India is measured on the basis of various criterion such as premium underwritten, number of policies issued, benefits paid, Settlement of claim, Number of grievances reported, number of grievances resolved, etc. During this research the performance of life and non-life insurance is comparatively studied for public and private sector for the period of 2014-15 and 2015-16.

The performance of the Indian insurance industry for 2014-15 and 2015-16 is tabulated as under:

F. Employment Opportunity in Insurance Sector

Insurance sector is an emerging source of employment generation in country. It creates both direct and indirect employment in the economy. Insurance sector provides job opportunity such as insurance advisors, agents, underwriters, claims managers. The increasing insurance business has increased the demand for highly skilled professionals as well as semiskilled and unskilled people. Insurance sector employment is shown in the following table for the period 2010-11 to 2015-16

Year	Life Insurance	General Insurance	Total
2010-11	115.4	67.3	182.7
2011-12	119.8	66.8	186.6
2012-13	116.7	65.7	182.4
2013-14	120.4	NA	NA
2014-15	117.5	NA	NA
2015-16	114.8	NA	NA

Table 2: Employment in insurance sector

Source - <https://data.gov.in/catalog/employment-insurance->

Insurance sector has help in economy development, by raising financial savings, employment generation, and infrastructure development. It plays a vital role in economy development. Present research paper also studied the strengths, weakness, opportunities and challenges (SWOC Analysis) faced by insurance sector in India.

V. STRENGTH

Insurance sector has huge potential in economy development. Following are the strengths of insurance sector:

A. Financial Savings

Insurance sector gives investment raising opportunity by various savings plans in economy. Mostly insurance instruments help to raise middle income and low income groups saving.

B. Infrastructure development

Economy need huge capital for infrastructure development. Insurance sector create a long –term capital, which is required to build infrastructure development projects.

C. Generate Employment

Insurance sector creates direct and indirect employment in economy. Such as brokers, insurance advisor, claim manager etc.

D. Economic Growth

Insurance sector creates employment, raise capital, helps in diversification of business risk, infrastructure and social development. Hence, it helps to grow the economy of a country positively. It has huge potential in development of industry and economy.

E. Insurance & Banking Growth

Insurance sector and Banking sector are closely related and plays complementary role in development process. In recent years all insurance and banking transactions are made digital which made the transaction performance simple and transparent. Insurance premiums are paid through banks leading to increase in banking habits of people.

VI. WEAKNESSES

As each coin has two sides, similarly strengths are followed by weaknesses. The weaknesses of Insurance sector are as follows:

A. Customer Satisfaction

For every services sector it is most significant to maintain healthy relationship with customers. If the insurance product and services are not comprehensive, then it is next to impossible to retain client. Insurance sector need to maintain healthy customer relation to do business with them.

B. Mobile Technology Access

Now the recent young generation has using the technology for buying online product and services. Eg. Smart phone has revolutionized the life style of people. People opt to use advance technology for carrying out prompt and smooth transactions and dealings. But many insurance companies for security purpose are still to accept this as they yet don't permit their customers to pay premiums and other payments through mobile. Today cent percent people do not opt for advanced technology due to lack of knowledge and fear of fraudulent.

C. Uncertain Global Operations

The unstable government and risky economies are a vast barrier to the insurance companies that have expanded themselves globally. Due to unstable government and dynamic economies at global level the insurance companies and agencies faces many issues for expansion of business and fails to get attention from valuable clients.

D. Compensation

Mostly insurance agencies face the problems of compensation of customers. Whether it is on the compensation amount or on how such payments are

structured. The industry need to work on reserving and pricing policy.

VII. OPPORTUNITIES

India is a second largest populous country in the world with 121cr.population (AS per 2011 census). Hence, Insurance industry has huge opportunity for development in Indian market. Following potentials are available for the Insurance industry in Indian market:

A. Crop Insurance

The agriculture in India is widely dependent on natural climate which is uncertain and risky in nature. The Indian farmers need such insurance policy which will cover the risk of uncertainty. Hence, Crop insurance market in India is the largest in the world. Awareness about crop insurance in India is 38.8 per cent and government is also taking initiative to raise crop insurance schemes to cover the farmer's risk.

B. Health Insurance Markets

Health insurance market has great opportunity to build up non-life insurance development. Only 1.5–2 per cent of total healthcare expenditure in India is currently covered by insurance providers. In India only 18 per cent of people in urban areas and 14.1 per cent in rural areas are covered under any kind of health insurance scheme.

C. Motor Insurance Markets

In Indian economy strong growth in the automotive industry over the next decade will be a key driver of motor insurance. Automobiles sales in India increased at 7.01 per cent CAGR between financial years 2013 to 2018 to reach 24.97 million vehicles. The increasing trend of automobiles demand has opened the gates for the motor insurance markets in India. It covers the economic risk.

D. Micro Insurance

Insurance industry provides the micro insurance instruments of investment for poor peoples and small scale industries. Its great potential to cover low income groups of peoples to generate savings.

VIII. CHALLENGES

Indian insurance industry examination was carried out by Malhotra committee. They gave some recommendations for the insurance sector development. But insurance sector faces some major challenges in growth process. The challenges faced by the insurance industry are as follows:

A. Customer Relationship Management

Maintaining healthy customer relationship is one of the challenges for insurance sector. Customer behavior is been influenced by environmental factors and personal aspirations. Environmental factors are socio economic and demographic factors, the company's efforts to manage customer satisfaction.

B. Risk Management

Now the environmental changes in the economy overviews of the country the risk landscape has undergone significant

changes. With the opening up of economy and the entry of multinational companies in almost all sectors, there has been a heave in the income levels, especially in the middle class. The unpredictable economic nature leads to risk and uncertainty. Hence, the insurance industry has to face the risk of uncertainty.

C. Non-Accessed Market Segments

Insurance sector has not been able to tap the semi-urban and rural areas, which offers a huge potential. Due to poor awareness in the rural and semi-urban area keeps the segment non- accessed.

D. Cut Throat Competition

Liberalization has created cut throat competition in all sectors. Insurance sector also faces a huge competition due to liberalization. Competition will have an increasing trend in nearby period as more and more insurance companies will join the market which will reduce the market share and volume of independent insurance company.

E. Personnel Management

The human resource competency is another challenge faced by the insurance company due to the Trans Nationally competitive global competitive insurance market.

IX. GOVERNMENT INCENTIVES

Government takes efforts to increase the share of insurance sector in the economy. Recently insurance sector has contributed in financial year 2018-2019 (up to October 2018), premium from new life insurance business increased 3.66 per cent year-on-year to Rs 1.09 trillion (US\$ 15.46 billion). In financial year 2018-2019 (up to October 2018), gross direct premiums of non-life insurers reached Rs 962.05 billion (US\$ 13.71 billion), showing a year-on-year growth rate of 12.40 per cent.

The Government of India has taken several of initiatives to build the insurance industry. Some of them are as follows:

- In September 2018, National Health Protection Scheme was launched under Ayushman Bharat to provide coverage of up to Rs 500,000 (US\$ 7,723) to more than 100 million vulnerable families. The scheme is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent.
- Over 47.9 million famers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.
- IRDAI has allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.

Government has taken these efforts to increase the growth rate of insurance business in India. Also government is focusing on the future road map for enhancing notable growth for insurance sector. Government has introduced some flagship programs for insurance sector development.

The government also strives hard to provide insurance to individuals in a below poverty line by introducing schemes like:

- Pradhan Mantri Suraksha Bima Yojana (PMSBY),
- Rashtriya Swasthya Bima Yojana (RSBY) and
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Source: <https://www.ibef.org/industry/insurance-sector-india.aspx>

X. CONCLUSIONS & SUGGESTIONS

The present research paper studied the role of insurance sector in the development of Indian economy with the reference of SWOC analysis. Following conclusions and suggestions are given on the bases of the research study.

- 1) The insurance sector has huge potential in Indian economy.
- 2) Insurance sector needs proper urban and rural area connectivity to maintain healthy relationship with the customers.
- 3) To organize workshops and orientation programs for the rural people to create awareness about the health, motor insurance and micro insurance.
- 4) Simple and transparent process of insurance and compensation should be adopted by the insurance companies.
- 5) Create awareness among the youth regarding the employment opportunities in insurance sector.
- 6) Updated know how should be used to impart the information about the insurance policy such as online app, mobile app, etc.

REFERENCES

- [1] <https://www.ibef.org> > insurance-jan-2019
- [2] <http://www.yourarticlelibrary.com/insurance/the-role-and-importance-of-insurance-explained/7540>
- [3] <https://www.iii.org/table-archive/21000>
- [4] <https://www.indianmirror.com/indian-industries/2018/insurance-2018.html>
- [5] IRDA - Indian Insurance Market - Policyholder.gov.in
- [6] www.policyholder.gov.in > Indian_Insur...
- [7] <https://data.gov.in/catalog/employment-insurance->
- [8] www.ibef.org
- [9] <http://www.ijsrd.com/articles/IJSRDV6I110028.pdf>