

## Is 49% FDI is Sufficient in Insurance in India

Chandra Mohan S\* and Ramana DV

S.V. University, Tirupati, India

### Abstract

Human life in general strives to get the minimum necessities like basics of life like food, shelter and clothing along with minimum education and socio economic profile. The very known fact through studies from the nations that, still in 21st century many deprived struggling a lot even to have some minimum. The rising concerns from the environment due to urbanization, industrialization and changing civilization causing many natural calamities like draught, drought, tsunamis, quakes and diseases. The movement certainly awakes the areas like social security and standard. Being the species of society it has become hard to get standard of life. The one prime area insurance plays major role in bringing standard and strength to the life. The present scenario of insurance coverage and the business trend is in positive and with good potential. The status of India and Indian population are at bottom level with least number of insured and coverage. The recent initiation taken by the central government to hike FDI limit from the existing 26% to 49% has been welcomed by many industrialists. The decision is even more time based and more indeed. At the same time it alarms' many concerns like system efficiency, strategy, execution and transparency. This initiative tried explaining some of those concerns with the support of reports and releases.

**Keywords:** Life security; Uncertainty; Risk; Insurance; Potential; Health

### Introduction

The concept insurance is as old as the civilization almost. In terms of trade and security it has its own journey. The very starting stage of insurance is for certain special areas only. It has started its touch with marine insurance, fire insurance later on in order to address many concerns of personal, social and commercial areas of security and financial support it has added many feathers to its body. With its centuries old experience and participation insurance has become a common need like life partner. The growing number of risks from the areas like disease, financial loss, accidents, death, property loss, fire accident, theft, uncertainty and economic disabilities etc. (Figure 1).

The importance and relevance of insurance got registered momentum since after the first world war. But the roots of insurance are there from the ancient days of emperor ruling onwards. The economies which are three in number wise based on their socioeconomic status which are developed, developing and under developed economies are facing the hard challenge of providing social security to the people. The insurance has been categorized into two major groups; life insurance and general insurance (non-life insurance). The aspects related to the individual life and its safety and security life insurance product caters the needs within the limits of its reach and potential. The aspects which are the indirect aspects of life which are important as usual as life will be addressed by the product general insurance.

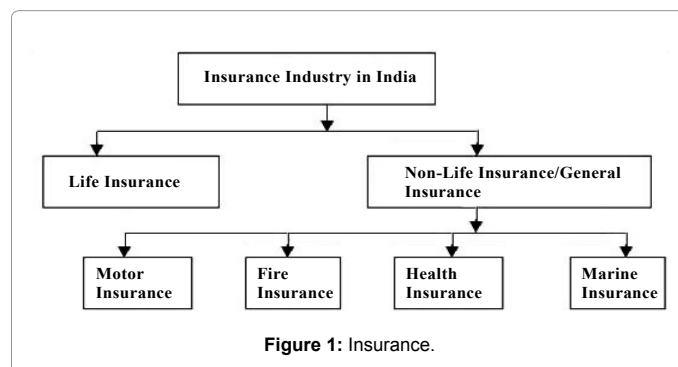
### Review of Literature

#### National sample survey data: Health cover

Too little, too scarce; by (With inputs from Vidya Krishnan) 80% not covered by any insurance, dependent on private sector for treatment. Over 80 per cent of India's population is not covered under any health insurance scheme, says the latest National Sample Survey (NSS) released on Monday. The data reveals that despite seven years of the Centre-run Rashtriya Swasthya Bima Yojana (RSBY), only 12 per cent of the urban and 13 per cent of the rural population had access to insurance cover. Around 86 per cent of the rural population and 82 per cent of the urban population were not covered under any scheme of health expenditure support, the data showed. Further, it was found that coverage is correlated with living standards, as in urban areas, over 90 per cent of the poorest residents are not covered, while the figure is 66 per cent for the richest residents. According to the report, "The poorer households appear unaware or are beyond the reach of such coverage, both in rural and urban areas (Figure 2)".

#### Collect health insurance cess

To meet the standards set by the World Health Organisation, we need investments to the tune of \$50 billion. A recent report by KPMG and FICCI states that India spends 4.2 per cent of its GDP on healthcare out of which only 1 per cent is contributed by the public sector. The Indian government's expenditure in healthcare is amongst the lowest in the world due to tight fiscal discipline. However, even without adequate public sector funding, the healthcare segment, which



\*Corresponding author: Chandra Mohan S, Research Scholar, Department of Management Studies, S.V. University, Tirupati-517502, India, Tel: +91-97036-21582; E-mail: [srikrishnanirmala@gmail.com](mailto:srikrishnanirmala@gmail.com)

Received May 09, 2016; Accepted September 22, 2016; Published September 30, 2016

**Citation:** Chandra Mohan S, Ramana DV (2016) Is 49% FDI is Sufficient in Insurance in India. Arabian J Bus Manag Review 6: 265. doi: [10.4172/2223-5833.1000265](https://doi.org/10.4172/2223-5833.1000265)

**Copyright:** © 2016 Chandra Mohan S, et al. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

was at \$73.92 billion in 2011, is projected to grow at a compounded annual growth rate of 16 per cent to reach \$280 billion in 2020 thanks to efforts by the private players. Moreover, every \$1 invested in the healthcare industry helps to generate \$4 through its ancillary industries also by way of creating jobs through the value chain [1].

### Only 17% have health insurance cover

The estimate, prepared by IRDA, is sharply lower than that of the World Bank. Fresh official data show the number of people covered by health insurance in India could be far fewer than estimated. Only 21.62 crore people, or 17 per cent of the total population, were covered by health insurance at the end of March 2014. The estimate, prepared by the Insurance Regulatory and Development Authority (IRDA) and tabled in Parliament by Union Finance Minister Arun Jaitley on Friday, is sharply lower than that of the World Bank [2] (Figure 3).

### Trends

The word insurance has observed many trends since its inception. The rapid growth caused by many environmental and social causes all around the world stressed the practice for many reforms at all the stages. Economies with some financial strength and vision have defined and designed the concept insurance meaningfully. It certainly propelled the standards of life drastically towards the safety and security of life. The cost of living which rightly explains about the strategic standard and efficacy of the system should address the direction of the public. The whole journey of the concept insurance can be broadly classified into three columns namely;

Before 1900: this is the period which is like as a blind stick in the

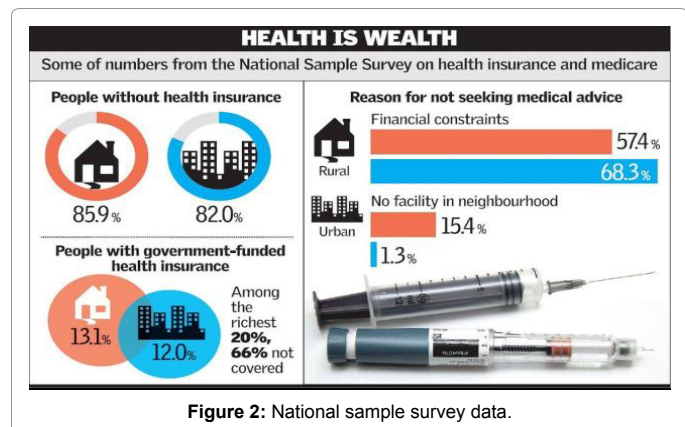


Figure 2: National sample survey data.

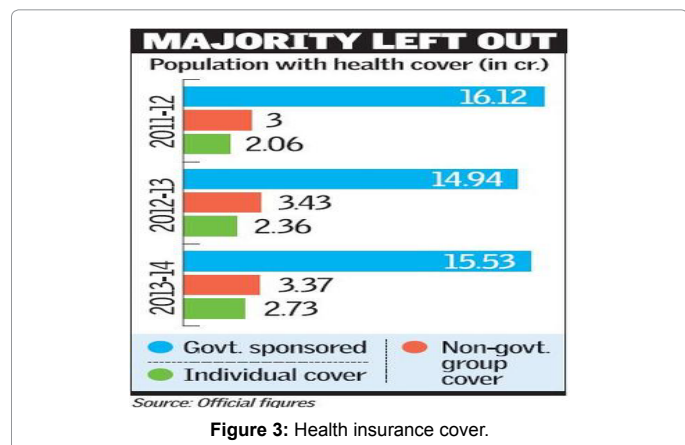


Figure 3: Health insurance cover.

hands of a pilot. The age With much ambiguity and without a proper guidance and regulation experienced many laps of system errors. It is to remember from this time that a few economies rightly started doing some favour to the public with some care and respect. This initiation placed them at top of the table at later period.

After second world war and; geography wise when it comes to social security and civil satisfaction world war II has had a good number of stories to remember. It left the entire world with unprecedented questions and inundated hopes to revise. The very positive moment world got from this is social security at certain and uncertain situations. In India the principle based insurance journey laid foundation in the year 1912 after on in the year 1938 a comprehensive policy on insurance has been drafted and introduced with complete regulatory frame work.

### After globalization

This period so called as golden period in the segment of insurance. The real reach and development particularly from India touched a significant mark. The government intervention in boosting the insurance industry got applaud from all the players. In India still it is in a state of dream for majority. IRDA (initiated in 1999) has come into force from 2001 onwards with a special parliamentary resolution by the government. Though some and government players are in line the ultimate objective is not yet accomplished [3,4] (Figure 4).

### FDI

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 that country [1]. Now one should understand the condition of India's Insurance Industry. Foreign direct investment an investment mantra which joins foreign partners with local people to have a very competitive and challenging business. The economy which is in a state of financial crunch and which is not a real destination of investment guided foreign direct investment option as a tool.

Need to address:

1. Millennium development goals ( MDGs),
2. NHP- National Health Policy
3. Minimum social security

**Liberalization:** The recent FDI liberalization where increased from 26% to 49% has to concentrate on the areas below to bring standard and security into the system and social life. Those are;

1. Insurance coverage as per the international level
2. User friendly mechanism

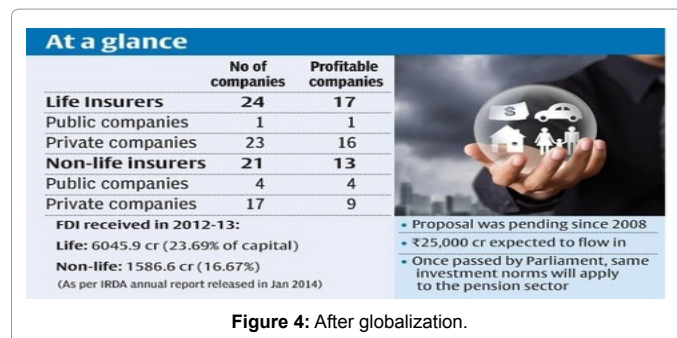


Figure 4: After globalization.

3. Transparency in business process
4. Hassel free service section
5. Reaching maximum at minimum cost
6. Customer Satisfaction based system and strategy

## Conclusion

The recently released report on insurance coverage by NSSO (national sample survey organization) and millennium development goals (MDGs) analysis depicts that the present state of insurance

coverage from life insurance and health insurance are not even up to the minimum. It is the responsibility of all the stake holders to address issues like concerns to stream line and to strengthen the industry.

## References

1. Bhattacharjee S (2015) Why 49% FDI is still not good news for the insurance sector?
2. <https://orientalinsurance.org.in/>
3. (2007) Insurance Regulatory and Development Authority of India Act, 1999.
4. (2012) IRDA ACT 1999. Department of Financial Services.