



IMPACT OF FDI ON INSURANCE SECTOR IN INDIA WITH SPECIAL REFERENCE TO SBI LIFE INSURANCE

Dr. Jayaram Kanzal* & Prof. Harsha R**

* Principal, Indus Valley Degree College, Bangalore, Karnataka

** Visiting Professor, Indus Valley Degree College, Bangalore, Karnataka

Cite This Article: Dr. Jayaram Kanzal & Prof. Harsha R, "Impact of FDI on Insurance Sector in India with Special Reference to SBI Life Insurance", International Journal of Interdisciplinary Research in Arts and Humanities, Volume 6, Issue 1, Page Number 1-5, 2021.

Abstract:

Since the economic liberalization, India is attracting the foreign investors to invest in, as India is a growing economy. The flow of FDI into the country is having more advantages as it helps in demand for foreign currency, capital formation, creates new job opportunities, add up to the GDP and so on. The main objective of this paper is to identify the impact of FDI on Indian insurance sector with special reference to SBI life insurance limited. Since India is the largest democratic country with political stability and second largest emerging market with highest rate of return, India is the best place for foreign investor. Apart from a nations foreign exchange reserves, exports foreign investments are also important for the well-being of a country. FDI provides a win-win situation to host as well as home country. Both countries are interested in inviting FDI because they benefit a lot from such type of investment. FDI also helps in increasing the output, productions, exports at all the sectorial levels of the Indian economy. Finally FDI affects GDP of a country directly and hence they are positively correlated.

Key Words: FDI, Insurance Sector, GDP, Foreign Currency & SBI Life

Introduction:

In India there are around 52 insurance companies out of which 24 are life insurance companies and the remaining 28 are non-life insurance. Out of this 28 non life insurance companies, 05 are private sector insurers. They are Star Health and allied services insurance company, Apollo munich health insurance company private limited, Max Bupa health insurance company private limited, Cigna TTK health insurance company private limited and Religare health insurance company private limited. In India the insurance sector was liberalized in the year 2001. This liberalization policy allowed many foreign insurance companies to enter into India and this has led to the drastic changes in the insurance industry in India. Following the recommendations of the Malhotra committee report in 1999, the IRDAI was constituted as an autonomous body to regulate and develop the insurance industry. The IRDAI was incorporated as a statutory body in the year 2000. The key objectives of the IRDAI includes promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring financial security of the insurance market.

The FDI limit on insurance sector was around 26% which was increased to 49% in the year 2018. Now again in the recent budget (2021) the cap on FDI limit on insurance sector has been increased to 74% which will allow many foreign insurance companies to enter into Indian insurance industry and also the existing insurance companies will set up new branches. Today the banking and insurance services add about 7% to the country's GDP. A well developed and evolved insurance sector is a boon for the economic growth and development as it provides long term funds for infrastructure development of a country

SBI Life Insurance:

SBI Life Insurance is a joint venture between State Bank of India and BNP Paribas Cardif. SBI owns 74% of the total capital and BNP Paribas Cardif the remaining 26%. SBI Life Insurance has an authorized capital of Rs. 2,000 crores and a paid up capital of Rs 1,000 crores. BNP Paribas is a French multinational bank and financial services company with global headquarters in Paris. SBI Life Insurance Company is one of the largest company and most trusted company in India. State Bank of India Life Insurance main vision is to provide protection to the customers and helps in financial needs and to become most preferred life insurance provider. SBI along with associate branches it comprises of more than 1600 branches which is a largest banking network in India. BNP Paribas Cardif, which is a Euro Zone's leading Bank and is one of the oldest foreign banks, and this company has joint partnerships in Asia. In 2007, CRISIL Ltd, a subsidiary of global rating agency Standard & Poor's, gave the company an AAA/Stable/P1+ rating. Several plans offered by SBI Life are as follows

• Term Insurance Plans:

- SBI Life Smart Swadhan Plus Plan
- SBI Life Saral Swadhan Plus
- SBI Life eShield Plan
- SBI Saral Shield
- SBI Smart Shield

• Money Back Plans:

- SBI Life Smart Money Planner Plan

- SBI Life Smart Money Back Gold Plan
- **Unit Linked Insurance Plans – ULIPs:**
 - SBI Life eWealth Insurance Plan
 - SBI Life Smart Power Insurance Plan
 - SBI Life Smart Wealth Builder Plan
 - SBI Life Smart Elite Plan
 - SBI Life Smart Scholar Plan
 - SBI Life Smart Wealth Assure
 - Saral Maha Anand
- **Endowment Plans:**
 - SBI Life CSC Saral Sanchay Plan
 - SBI Life Smart Humsafar Plan
 - SBI Life Smart Women Advantage Plan
 - Smart Guaranteed Savings Plan
 - SBI Life Smart Income Protect Plan
 - SBI Life Shubh Nivesh Plan
 - SBI Life Flexi Smart Plus Insurance
- **Child Insurance Plan:**
 - SBI Life Smart Champ Insurance
- **Pension Plans:**
 - SBI Life Retire Smart
 - SBI Life Saral Pension Plan
 - SBI Life Annuity Plus Plan

Objective of the Study:

- To give an overview of Indian insurance sector
- To find out the impact of FDI on insurance sector with special reference to SBI Life Insurance Ltd.
- To identify the importance of FDI in insurance sector.

Scope of the Study:

This study helps to reduce the risks which are involved in stock market while investing through FDI. It gives a clear idea about how the fluctuations happen in the stock market. It helps to predict the share price of the SBI Life insurance Companies.

Limitations of the Study:

- This study is confined to the extent of interpreting the data is collected only from SBI Life insurance companies.
- This study is done within one year data.
- This study based on the historical data and information provided in the reports.
- The entire financial position of the company cannot be disclosed.
- All the limitations of the primary and secondary data are applicable for the study.

Methodology:

The type of data collected and the method of sampling are explained under this head.

Data Collection:

The data required for the study have been collected through interview schedule. Hence the study is based on primary data. The interview schedule has been developed after consulting the officials of SBI Life insurance companies policyholders. The secondary data required for the study have been collected from various publications, websites, journals and reports.

Period of the Study:

The study covers a period of one financial year. The policyholders of SBI Life insurance companies in Coimbatore District, who have taken insurance from the year 2020 to 2021 have been contacted for the collection of data.

Framework of Analysis:

Data collected from have been analyzed with the help of the following statistical tools. The statistical tools are:

- Trend Analysis
- t - test
- Analysis of Variance (ANOVA)

FDI and Stock Market:

FDI has always made an impact on stock market. Adam and Twene Boah (2009) argued that there is a 3 sided casual relationship between FDI and stock market development. (a) FDI stimulates economic growth.

(b) Economic growth stimulates stock market development. (c) So we make an inference that FDI promotes stock market development.

Recently when the finance minister Nirmala Sitharaman in her budget increased the FDI limit on insurance sector from 49% to 74%, the companies listed in National Stock Exchange and Bombay Stock Exchange reacted very positively. Since FDI inflow is advantageous to the country, the stock market has always performed well. The FDI inflow in the insurance sector in the financial year 2020-21 was around Rs.54,429 crore. In reaction to this the SBI life insurance stock price was in an uptrend during the FY 2020-21 (refer to the table 1).

Benefits of Foreign Direct Investment in Insurance Business:

- Increase in insurance penetration and density.
- Increase in employment opportunities.
- Increase in wide and innovative insurance products and services in India.
- Better competitive market.
- Better exposure of technology and other services from foreign partner

Review of Literature:

Aamir Hasan (2015), the global insurance industry is facing increasing competition, which has put significant pressure on companies to become more efficient, enhance their technology-related processes and alter their business models. The present paper focuses on 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. India is one of the fastest growing insurance market and it is expected that Indian insurance industry can grow up to 125% in the next decade. However there is also a risk that unless given the management control the foreign insurers would be reluctant to invest in India.

Rajesh K. Yadav, Sarvesh Mohania (2016), stated that Indian insurance industry is still less penetrated and has huge growth potential. FDI plays significant role in the economic development of the country. This study is based on secondary data collected from I.R.D.A and research papers from various journals. The study founded that increase in FDI is optimistic move for the future of 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.

Pavithra and Murugan Ramu (2018) reveals that FDI gives a win-win circumstance to the host and the nations of origin. This research explored the Indian Insurance part, to know advantages of expanded outside direct venture restrain in protection segment, to know the Government arrangement with respect to protection division in India, to know Issues in FDI in Insurance Sector. The study founded that the policy makers should ensure optimum utilization of funds and timely implementation of projects. It concluded that the realisation of approved. India should consciously work towards attracting greater FDI into R&D as a means of strengthening the country's technological prowess and competitiveness.

Analysis & Interpretation:

Table 1: Trend Analysis
 FDI Inflow and SBI Life Insurance Stock Price

FY 2020-21	Months	SBI Life Stock Price
55,429. Cr	Apr-20	726
	May-20	768
	Jun-20	806
	Jul-20	912
	Aug-20	827
	Sep-20	811
	Oct-20	769
	Nov-20	846
	Dec-20	904
	Jan-21	864
	Feb-21	866
	Mar-21	903

The above table shows that in the financial year 2020-2021 the FDI inflows was Rs.55,429 Crores. The SBI Life stock price was Rs.726 in the month April 2020, reporting an increase of Rs 912 in July 2020. SBI life stock price started decreasing in the month of august 2020 to October 2020 i.e from Rs.827 to Rs.769. In the month of November Rs.846 to December Rs.904 and again shows and fluctuation till February 2021 and it shows an increasing SBI Life stock price stock price in March 2021. The public sector insurers witnessed considerable increase in the number of policies issued. The private sector insurers reported a growth of 18.96 per cent in the number of policies issued in the financial year 2014-15 (11.54 per cent in the financial year 2013-14).

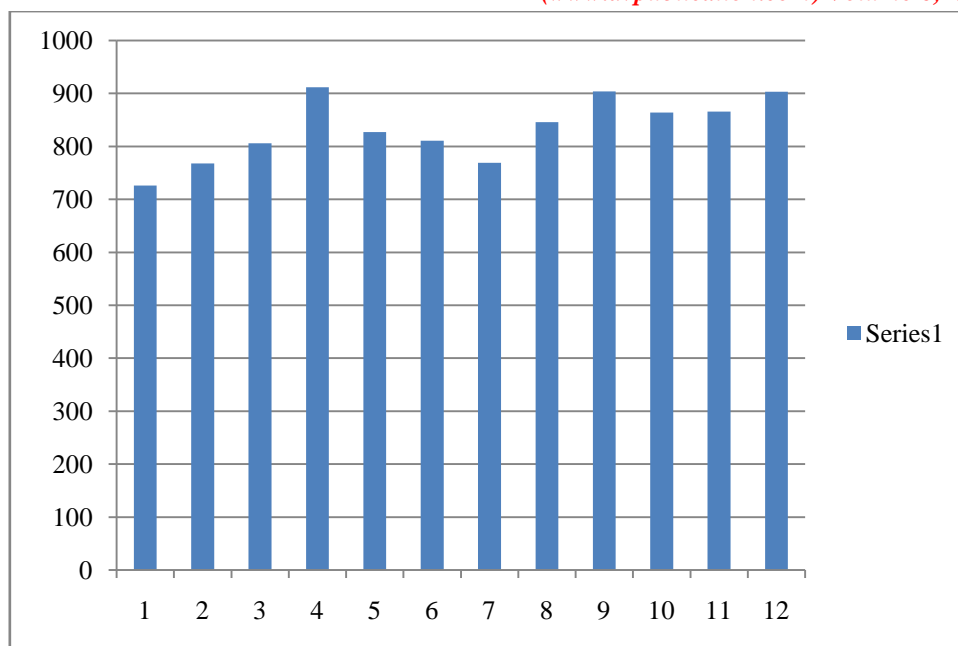


Table 2: T-Test

FDI in SBI Life Insurance and Creativeness in the Quality of Service Provided to the Policy Holders

	T	df	Sig.(2-tailed)	Men Difference	95% Confidence Interval of the Difference	
					Lower	Upper
FDI and Creativeness in the quality of service provided to the policy holders	5.83	299	.000	.4317	.283	.578

The T value corresponding the mean difference between the improvisation of quality of the service and a fixed mean value of 3 was 5.83 and its corresponding p value was $0.000 < 0.05$. Since the p value was less than 0.05, it can be concluded that there will be improvisation in the quality of service rendered to the policy holders in SBI life insurance Companies among the policy holders.

Table 3: T-Test

Collection of Premium and FDI Participation

	T	df	Sig.(2-tailed)	Men Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Collection of premium and FDI participation	7.013	299	.000	.476	.321	.572

The T value corresponding the mean difference between the collection of premium and a fixed mean value of 3 was 7.013 and its corresponding p value was $0.000 < 0.05$. Since the p value was less than 0.05, it can be concluded that premium collection will not have any major changes as a result of increased FDI participation among the policy holders.

Table 4: ANOVA

FDI in SBI Life Insurance and Behavior of Indian Insurance Sector

Model	Sum of Squares	df	Mean Square	f	Sig.
Between Groups	33.593	1	33.593	26.093	.094
Within Groups	126.167	98	1.287		
Total	159.760	99			

The F value corresponding to the mean difference in FDI SBI life insurance in conduct of insurance business between different companies among policy holders was 26.093 and its corresponding p value is $0.094 > 0.05$. Since the p value is more than 0.05, it can be concluded that there is no significant difference in impact of FDI in SBI Life insurance on the conduct of insurance business with policy holders.

Conclusion:

From the above analysis we can conclude that FDI plays a very important role in insurance industry. The analysis shows that there is a good growth in FDI inflow in insurance sector. Today the banking and insurance services add about 7% to the country's GDP. A well developed and evolved insurance sector is a boon for economic growth and development as it provides long term funds for infrastructural development of a country.

References:

1. Aamir Hasan, Impact Analysis of FDI on Insurance Sector in India, International Journal of Economics & Management Sciences, Volume 4, Issue 6, An Open Access Journal, 2015.
2. Bodla B.S, Garg M.C and Singh K.P, “Insurance Fundamental, Environment and Procedures”, Deep & Deep Publication Pvt. Ltd, New Delhi, (2003), pp. 5-6.
3. Hegde, S. K., & Ranebennur, S. Foreign Direct Investment in the Indian Insurance Industry: An Impact Analysis.
4. Krunal Soni, Impact of FDI in India Insurance Sector, International Journal for Emerging Research in Management and Technology, July 2017.
5. L. Terina Grazy, G. Parimala Rani, Foreign direct investment in insurance sector IJRTE, October 2019.
6. M. Rajeev, Impact of FDI in General Insurance Sector, International Journal for Scientific Research and Modern Education, Vol 1 2016.
7. Mandeepkumar Research paper on role of FDI in Insurance Sector, IJARESM, (Vol 3 Dec 2015).
8. Mishra, V. V., & Bhatnagar, H. (2009). Foreign Direct Investment in Insurance Sector in India. Macquarie J. Bus. L., 6, 203 [10]
9. Rajesh K. Yadav, Sarvesh Mohania, Impact of F.D.I on Life Insurance Sector in India, World Scientific News 47(2) (2016) 190-201.
10. Shikhare, Y. (2015). Foreign direct investment in insurance sector in India. The Business & Management Review, 5(4), 31
11. V.Pavithra and Murugan Ramu A Study on the Impact of FDI in Insurance Sector, International Journal of Pure and Applied Mathematics, Volume 119 No. 17 2018, 499-508ISSN: 1314-3395 (online version) url: <http://www.acadpubl.eu/hub/specialissue>
12. www.irdai.gov.in
13. www.rbi.org.in
14. Yadav Rajesh K. and Mohania Sarvesh, “A Case Study with Overview of Pradhan Mantri Jan Dhan Yojana (Atal Pension Yojana)”, World Scientific News, Vol. 29, (2016), pp. 124-134.