Role of Insurance in Economic Development of India

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Abstract: Insurance sector in India is one of the most booming sectors of the economy and is growing at the rate of 15-20 percent per annum. In India, insurance is a flourishing industry, with several national and international players competing with each others. Indian insurance companies offer a comprehensive range of insurance plans. The insurance industry of India consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. Among the life insurers, Life Insurance Corporation is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India. Due to the growing demand for insurance, more and more companies are now emerging in the Indian insurance sector.

INTRODUCTION
Insurance is one of the demanding financial products in India. Its basic motto is to protect the family of any uncertainty in life. So it is long term investment and need knowledge about that. Indian life insurance is too old. It is there from British Period and after nationalization; it has come fully under Government. The Indian insurance market is a huge business opportunity. India currently accounts for less than 1.5 per cent of the world’s total insurance premiums and about 2 per cent of the world’s life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years. India’s life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

ROLE OF INSURANCE
Provide safety and security:
Insurance provide financial support and reduce uncertainties in business and human life. It provides safety and security against particular event. There is always a fear of sudden loss. Insurance provides a cover against any sudden loss. For example, in case of life insurance financial assistance is provided to the family of the insured on his death. Insurance provides the investment opportunities also. In case of other insurance security is provided against the loss due to fire, marine, accidents etc.

Generates financial resources:
Insurance generate funds by collecting premium. These funds are invested in government securities and stock. These funds are gainfully employed in industrial development of a country for generating more funds and utilised for the economic development of the country. Insurance helps in providing Employment opportunities leading to capital formation.

Employment generation:
Insurance industry provides employment opportunities. The number of individual agents has increased. As on 31st March, 2015, there were 503 Corporate Agents working for Life insurance industry. Life Insurance Industry recorded a premium income of Rs 3,28,101 crore during 2014-15 including renewal premium as well as new premium. The number of new individual policies issued in 2014-15 stood at 2.59 Crore. Brokers, corporate agents, training establishments provide extra employment opportunities.

Promotes economic growth:
Insurance generates significant impact on the economy by mobilizing domestic savings. Insurance sector provides capital into productive investments. Insurance enables to mitigate loss, financial stability and promotes trade and commerce activities those results into economic growth and development. Thus, insurance plays a crucial role in sustainable growth of an economy.

Spread of financial services in rural an socially less privileged:
IRDA Regulations provide certain minimum business to be done in rural areas, in the socially weaker sections. Life Insurance offices are spread over nearly 1400 centres. Presence of representative in every tehsil deeper penetration in rural areas.
Spreading of risk:
Insurance facilitates spreading of risk from the insured to the insurer. The basic principle of insurance is to spread risk among a large number of people. A large number of persons get insurance policies and pay premium to the insurer. Whenever a loss occurs, it is compensated out of funds of the insurer.

Source of collecting funds:
Large funds are collected by the way of premium. These funds are utilised in the industrial development of a country, which accelerates the economic growth. Employment opportunities are increased by such big investments. Thus, insurance has become an important source of capital formation.

CONCLUSION
India’s insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10. The Insurance sector in India is expected to attract over Rs 12,000 crore in 2016 as many foreign companies are expected to raise their stake in private sector insurance joint ventures. The Union Budget of 2016-17 has made the provisions for the Insurance Sector that Foreign investment will be allowed through automatic route for up to 49 per cent subject to the guidelines on Indian management and control, to be verified by the regulators. The Government of India has launched two insurance schemes as announced in Union Budget 2015-16. The first is Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is a Personal Accident Insurance Scheme. The second is Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which is the government’s Life Insurance Scheme. Both the schemes offer basic insurance at minimal rates and can be easily availed of through various government agencies and private sector outlets. The Insurance Regulatory and Development Authority of India (IRDAI) has given initial approval to open branches in India to Switzerland-based Swiss Re, French-based Scor SE, and two Germany-based reinsurers namely, Hannover Re and Munich Re. From all of this it is concluded that insurance sector is booming day by day.

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