CONTRIBUTION OF INSURANCE SECTOR ALONG WITH THE BANKING SECTOR

Author: Dr.R.Muthukumar
Assistant Professor
Department of Commerce Banking and Insurance
Dr.N.G.P. Arts and Science College (Autonomous)
Coimbatore-641048

ABSTRACT

India has the largest number of life insurance policies in the world which is good for the leading insurance companies in India. Insurance sector provides no’s of employments opportunity by the insurance people gets the pension and social security system one of the most rapidly growing sectors in India. Insurance sector evidence suggests that insurance contributes materially to economic growth by improving the investment climate and promoting a more efficient mix of activities than would be undertaken in the absence of risk management instruments. The present empirical based study was conducted with an objective to understand the role of bank assurance in Indian life Insurance Industry and to measure customer awareness, satisfaction and perception towards buying life insurance products from banks. The study was based on both primary and secondary data and simple percentage method was used for data analysis.
Key words: INSURANCE, ECONOMIC GROWTH

INTRODUCTION

INSURANCE used to hedge against the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium. Insurance sector along with the banking most rapidly
growing sector in India’s that the reason all market player are attracted to the India insurance market for business expansion. the confederation of Indian industry indicates that it has recorded instant and steady growth with a record growth rate of 32% to 34%. India’s state-owned life insurance sector in India. Indian insurance sector along with banking sector plays a vital role in building India’s GDP. GDP, (gross domestic product) of the country is the market value of all the officially recognized products and services within the country in a particular time period. According to the 10th nominal of 2011, India has a GDP of $1.847 trillion. As of 2012, India’s GDP has recorded a 5.3% of increase rate, which is quite heartening. Indian insurance industry is a colossal one which is growing at the rate of 15-20%. today the insurance industry together with banking services add about 7% to the country GDP. A well developed and evolved insurance industry is a boon for economic development which provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country. Indian insurance industry is one of the booming industries of the economy and is growing at the rate of 15-20% per annum along with banking services, it contributes to about 7% to the country’s GDP. Insurance is being a federal subject in India and which is governed by insurance act, 1938 the life insurance corporation act 1956 and general insurance business (nationalization) act, 1972, insurance regulatory and development authority (IRDA) act, 1999 and other related acts. Top leading companies are ICICI prudential, Om Kodak Mahindra, Birla sun-life, Tata AIF life, reliance; HDFC standard life –insurance co, max New York life, HDFC standard life insurance, ING Vysa life, and SBI life insurance are the top companies in the private sector. For the non-life insurance section the major private players are ICICI Lombard, royal Sandaram, Cholamandalam, IFFCO Tokyo, Tata ALG etc. All the insurance companies come under the insurance regulatory and development authority (IRDA) which is established to regulate, promote and ensure orderly growth of life and general insurance industry in India. In the year 2008-2009 the IRDA in its annual report said that the health insurance premium collections touched US$ 1, 45 billion, compared with US$ 1, 13 billion in the previous year. According to IRDA guidance note released by IRDA, the regular has increased the lock-in period for all the unit-linked insurance plan (ULIPS) to five years from the current three years, which makes them long term financial instruments and provide risk protection, the commission and expenses have also been reduced by evenly distributing them throughout the lock-in period.
Insurance promotes economic development through various channels:

- Insurance reduces the capital firms need to operate.
- Insurance fosters investment and innovation by creating an environment of greater certainty.
- Insurers are solid partners for the development of a workable supplementary system of social protection, in particular in the field of retirement and health provision.
- As institutional investors, insurers contribute to the modernization of financial markets and facilitate firms’ access to capital.
- Insurance promotes sensible risk-management measures through the price mechanism and other methods and contributes to responsible and sustainable economic development.
- Insurance fosters stable consumption throughout the consumer’s life. Moreover, in a global economy characterized by rapid social and demographic change and by the emergence of new risks (e.g. by climate change or technological developments) and new needs (health care, pensions), cooperation between private insurance and public institutions is essential. This cooperation can bring benefits in many fields, for example, health of the working population, accident prevention, compensation for agricultural risks, international trade (export credit insurance), etc. An appropriate

**INSURANCE DRIVERS OF ECONOMIC GROWTH**

How the insurance sector fosters economic growth the insurance industry promotes economic growth and structural development through the following channels:

1. Providing broader insurance coverage directly to firms, improving their financial soundness.
2. Fostering entrepreneurial attitudes, encouraging investment, innovation, market dynamism and competition.
3. Offering social protection alongside the state, releasing pressure on public sector finance.
4. Enhancing financial intermediation, creating liquidity and mobilizing savings. As major institutional investors, insurers gather dispersed financial resources, and channel them towards investment opportunities, facilitating companies’ access to capital.
5. Promoting sensible risk management by households and firms, contributing to sustainable and responsible development.
6. Fostering stable consumption throughout life.
7. Enhancing financial intermediation, creating liquidity and mobilizing savings. As major institutional investors, insurers gather dispersed financial resources, and channel them towards investment opportunities, facilitating companies’ access to capital.

8. Promoting sensible risk management by households and firms, contributing to sustainable and responsible development.

Contribution of Insurance to Growth And Development

- Contribution of insurance to infrastructure
- Contribution of insurance to FDI
- Contribution of insurance to employment
- Insurance Contributes Positively to Economic Growth

REVIEW LITERATURE

Singh R (2003), in his paper Profitability management in banks under deregulate environment, IBA bulletin, No25, has analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability hasin the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest income sources.

Singla HK (2008), in his paper,’ financial performance of banks in India,’ in ICFAI Journal of Bank Management No 7, has examined that how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.

Khan, M.K. (1978) attempts to know the opportunities and prospects in the career of a life insurance sector. He explains about what a good career is and how a good career should be for selling of life insurance products. There is no age barrier and it requires no previous occupational experience but one must be a professional and capable of creating opportunities in building personality. The relationship of life Insurance agent with clients is not temporary and the service rendered has no substitutes. He also observes that life insurance agent remains, in a sense, permanent server to the clients.

Rajan Saxena (1986) in his article entitled “Life Insurance Services” discusses various issues relating to life insurance. The author insists on the importance of life insurance and discusses on various strategies of life insurance.
RESEARCH METHODOLOGY

The term research refers to the systematic method consisting of enunciating the problem, formulating a hypothesis collecting the data, analyzing the facts and reaching the certain conclusions either in the form of solution towards the concern problem or in certain generalization for some theoretical formulation. Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. For completing the project work, data inputs were collected from the following sources:

**Primary Data**
- Personal Interview
- Collected data from insurance companies
- Collected data from magazines with insurance officials.

**Secondary Data** Books, journals, newspapers, internet

**Research design:** - The Research Design is Exploratory or Qualitative research design as well as Descriptive research Design.

DATA ANALYSIS

Q1. Why people buy insurance policy?
A.) A saving tool  B.) A tax saving device  C.) A tool to protect your family  D.) Return

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>44%</td>
</tr>
<tr>
<td>Brokers</td>
<td>32%</td>
</tr>
<tr>
<td>Banks</td>
<td>17%</td>
</tr>
<tr>
<td>Internet</td>
<td>7%</td>
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</tbody>
</table>

DATA INTERPRETATION

22% are for protection purpose, 38% for tax saving purpose, 25% for return purpose, 15% for saving tool purpose.
Q2.) What is the advantage of buying insurance through bank?

a.) Trust and loyalty  
b.) Easy accessibility  
c.) Expert’s advice  
d.) Convenience

DATA INTERPRETATION

35% People buying because of the trust and loyalty  
25% People are buying because of easy accessibility  
20% People are buying because of expert’s advice  
20% People are buying because of convenience
Q3.) What is the Channel to obtain life Insurance policy?

a.) Agents  b.) Brokers  c.) Banks  d.) Internet

DATA INTERPRETATION

44% people are taking policy through agents
32% people are taking policy through banks
17% people are taking policy through brokers
7% people are taking policy through internet
Q4.) People are Satisfied with bank services?

a.) Satisfied
b.) Highly satisfied
c.) Moderately satisfied
d.) Dissatisfied
e.) Highly dissatisfied

DATA INTERPRETATION

34% people are moderately satisfied from bank services
23% people are satisfied from bank services
20% people are dissatisfied from bank services
13% people are highly satisfied from bank services
10% people are highly dissatisfied

CONCLUSION

The insurance sector plays a fundamental role in the economy. A world without insurance would be much less developed economically and much less stable. By protecting firms and citizens against adverse events, the insurance sector provides a safety net that allows policyholders to restart their activities whatever the difficulties they have to cope with. Insurance plays, at this level, a key role in economic stability. The risk transfer function of the insurance
sector contributes, on the one hand, to the creation of a more stable operating environment for companies and, on the other hand, to a reduction in the level of capital required by undertakings to protect themselves against risk.

**RECOMMENDATIONS**

It also means that solvency regulation should contribute to an optimal allocation of capital through a pure economic risk-based system. The regulatory environment for insurance should encourage risk-based pricing. Risk management should be stimulated to make sure public and private institutions are conscious of the risk environment they are facing and take measures to reduce the impact on their activities.

- An insurance company has to work in urban and rural areas equally.
- Insurance company has to set an equal target for urban and rural areas.
- The terms and conditions of insurance should be clear to the insurance holder.
- The rate of policy is should be less or more. So that all people can afford insurance policy.
- People who going to purchase insurance policy they have to choose the correct policy has per his requirement than it will beneficial for him/her.
- Government have to work on those companies which are not working properly in insurance sector. because of that of companies people are lacking trust in insurance sector.
- Insurance companies need to come up with simple IT solutions to enable the bank staff to record sales details at the branch itself.
- Attractive incentives and proper motivation should be given to the marketing personnel of the bank in order to sell insurance products in a bigger way.
- To offer best product to the customers in a low cost effective way.
- Banks should also do the settlement of claims which will increase the trust and reliability of the customers on the banks.
- Need to spread awareness among the customers about banc assurance and its benefits.
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- 1.Dr. M.Subba Rao, 2.R. Srinivasulu 1M.Com, M.Phil, Ph.D Principal Sri Balaji P.G College (MBA) Anantapur – 515002 Andhra Pradesh - India 2M.Com, M.B.A Research Scholar Department of Commerce S.K University – Anantapur Andhra Pradesh –
- THE RELATIONSHIP BETWEEN INSURANCE SECTOR AND ECONOMIC GROWTH: AN ECONOMETRIC ANALYSIS İlhan EGE, Assistant Professor, Department of Business Administration, Mersin University, Turkey Taha Bahadır SARAC, Assistants Professor, Department of Economics, Niğde University, Turkey
- A CUSTOMER SURVEY & PERCEPTION TOWARDS BANCASSURANCE (WITH REFERENCE TO LIFE INSURANCE INDUSTRY) DR. ANSHUA TIWARI*; MS. BABITA YADAV** *Assistant. Professor, Department of Commerce, Barkatullah University, Bhopal, India. **Research Scholar, Faculty of Commerce, Rani Durgawati University, Jabalpur, India.