FDI and Indian Non-Life Insurance Sector

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Introduction

Insurance in India refers to the market for insurance in India which covers both the public and private sector organisations. The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment. Foreign Direct Investment is a direct investment into production or business in a country by an individual or company of another country either by buying company in the target country or by expanding operations of an existing business in that country. India allowed private companies in insurance after the enactment of **Insurance Regulatory and DevelopmentAuthority Act 1999 (IRDA Act** 1999). This Act permitted shareholding in insurance companies to the extent of 26%. The parliament has passed Insurance Laws (Amendment) Bill 2015. The Amendment Bill hikes FDI cap in the insurance sector to 49% from present 26 per cent.

The present scenario has revealed 53 Insurance companies working in Indian markets. Out of which 24 are in life insurance and 29 are in Non-Life Insurance Sector. General insurance orNon-Life Insurance is typically defined as any insurance that is not life insurance. It is called property and casualty insurance in the United States and Non-Life Insurance in continental Europe.

Review of Literature

Hasan, A. (2015). In his research paper titled impact analysis of FDI on insurance sector in India has found that Motor Insurance business in Non life insurance sector covered 47.90 % as a largest part in this sector followed by Health department with a share of 22.18%. The lowest share in this sector was found of the Marine department by covering 4.47% share only. He concluded that participation of foreign investment in Indian insurance sector is important for the future growth of Indian economy. It was expected that Indian insurance industry would grow up to 125% in coming years.

Kapoor. (2003). in the article entitled "Issues and challenges facing the Insurance Industry" remarks that "Indian insurance industry has opened wide opportunities for service and infrastructure sectors. The author stated that the some of the major challenges that have to be addressed for channelizing growth of insurance sector are product innovation, distribution network, investment management, customer service and education. He further pointed out that the competition will result in the market to grow beyond current rates and offer additional consumer choice through the introduction of new products, services and price options.

Objectives of the Study

• To study the trend pattern of Equity Share Capital and FDI in Non-Life Insurance Sector from the period 2008-09 to 2013-14.

• To know the impact of FDI in Non-Life Insurance Sector.

Research Methodology

• This study is considering only Non-Life Insurance Sector.

• Period of Study: To achieve the objectives, the data for the period 2008-09 to 2013-14 have been taken.

• Analysis Method: The collected data are analyzed with the help of **Linear Regression.**

• Sources of Information: This study is based on Secondary data, the data is collected from various sources:-

➢ Handbook of Indian Insurance Statistics

➢ Annual Reports from IRDA and other insurance companies

➢ Books

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> Publications
> Journals
> Internet

Analysis and Interpretation

1. FDI in equity share capital in Indian Non-life Insurance sector

Table 1 highlights the trend of equity share capital in the Indian Non-Life Insurance Sector along with the share of foreign promoters in it i.e. the share of Foreign Direct Investment.

Table 1.

Year wise FDI in equity share capital in Indian Non-life Insurance sector (Rs. Crore)

Year	Equity share capital	Share of foreign promoter	FDI (%)
2008-2009	4,829.91	676.62	14.01
2009-2010	5,684.67	896.32	15.77
2010-2011	6,705.89	1,090.08	16.26
2011-2012	7,826.10	1,324.45	16.92
2012-2013	9,519.65	1,586.63	16.67
2013-2014	10,140.21	1,678.86	16.56
2014-2015	11504.31	NA	NA

*Source: Compiled from Various Reports of IRDA and Indian Insurance Companies.

It seems from the Table 1 that in 2008- 2009, the equity share capital of the Non-Life Insurers was Rs.4829.91 crore where the contribution of foreign promoters was Rs.676.62 crore i.e. % of FDI was 14.01. With the lapse of time, the cumulative figures showed an increasing trend. With the passing of each financial year, it was increased consistently. In 2013-14, the Non-Life Insurance Sector was having paid-up capital worth Rs.10, 140.21 crores with Rs.1678.86 crore as a share of foreign promoter. So, % of FDI was raised to the extent of 16.56 %.

2. Regression analysis

• Regression Analysis of FDI in Non-Life Insurance sector.

• The impact of FDI on Equity share capital of non-life insurance sector over the financial years from 2008-09 to 2013-14.

• Independent variable: FDI in Non- Life insurance sector

Dependent variable: Equity share capitalin Non-Life insurance sector

Table2.

Descriptive Statistics

	Mean	Std. Deviation	N
Equity Share Capital in Non-Life Insurance Sector	7451.0717	2106.99248	6
FDI in Non-Life Insurance Sector	1208.8267	392.94798	6

Table 3.

Correlations

		Equity Share Capital in Non-Life Insurance Sector	FDI in Non-Life Insurance Sector
Pearson Correlation	Equity Share Capital in Non-Life Insurance Sector	1.000	.996
	FDI in Non-Life Insurance Sector	.996	1.000
Sig. (1-tailed)	Equity Share Capital in Non-Life Insurance Sector	.	.000
	FDI in Non-Life Insurance Sector	.000	.

Table 4.
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.996[a]	.993	.991	202.54232	.993	537.084	1	4	.000	1.349

a. Predictors: (Constant), FDI in Non-Life Insurance Sector
b. Dependent Variable: Equity Share Capital in Non-Life Insurance Sector

Table 3 & 4 indicates the strength of relationship between the model and the dependent variable i.e. Equity share capital in Non-Life insurance sector. Table 3 shows the correlation between the dependent variable (Equity share capital) and Independent Variable (FDI). Value of R= .996 which indicates high degree of correlation between predictor (FDI) and outcome (Equity share capital in Non-Life insurance sector). In the model summary (Table: 4) value of R^2 tells about how much variations in Equity share capital in non-life insurance sector are due to variations in FDI in non-life insurance sector. Value of R^2 = .993 shown in table 4 indicates that 99.3% variations in Equity share capital in Non-Life insurance sector are due to variations in FDI in Non-Life insurance sector.

Table 5.
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22032993.032	1	22032993.032	537.084	.000[b]
	Residual	164093.563	4	41023.391		
	Total	22197086.595	5			

a. Dependent Variable: Equity Share Capital in Non-Life Insurance Sector
b. Predictors: (Constant), FDI in Non-Life Insurance Sector

Table 5 presents the ANOVA analysis in which value of F= 537.084 which are significant at 5% level of significant as p value is .000 i.e. (p< 0.05).

Table 6.
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		

		993.329	290.660		3.417	.027
(Constant)						
1	FDI in Non-Life Insurance Sector	5.342	.231	.996	23.175	.000

a. Dependent Variable: Equity Share Capital in Non-Life Insurance Sector

Table 6 of coefficients executes the estimates of b-values (Unstandardized coefficients) that explicate the individual contribution of independent variable to the model. The positive value shows the positive relationship between the predictor and outcome variable and vice-versa. When we replace the B values in equation we find the model as:

GDP = b0 + b1 (FDI in Non-Life Insurance Sector)
       = 993.329+ 5.342(FDI in Non-Life Insurance Sector)

The value of b1= 5.342 indicates that as FDI in non-life insurance sector increases by one unit, Equity Share Capital in it increases by 5.342 units. Therefore, every additional unit of FDI is associated with an extra 5.342 unit's increment in Equity Share Capital.

The standardized beta values in the table 6 indicate the volume of change in standard deviation outcome due to one standard deviation change in the predictor. This value indicates that as FDI increases by one standard deviation (392.94798), Equity Share Capital increases by .996 standard deviation. This is true only if the effects of other factors held constant.

Testing of Hypothesis
H01: There is no significant impact of FDI in Non-Life insurance Sector.
The P-value related to FDI is less than .05. So, Null Hypothesis is rejected and concluded that there is significant impact of FDI in Non-Life Insurance Sector in India.

CONCLUSION
This is concluded from this study that FDI in Non-Life Insurance Sector plays an important role in India. By applying Regression and by making a regression model it is come to knowthat the value of b1= 5.342 indicates that as FDI increases by one unit, Equity Share Capital increases by 5.342 units. Therefore, every additional unit of FDI is associated with an extra 5.342 unit's increment in Equity Share Capital. In nutshell, it is found that FDI hassignificant impact on Equity Share Capital in Non-Life Insurance Sector.

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