



COMPARATIVE ANALYSIS OF IMPORTANT INSURANCE SCHEMES OF PUBLIC AND PRIVATE LIFE INSURERS

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ABSTRACT

*Countries like India where 76% population is adult, they do not understand even the basic financial concepts. Insurance is so poor that they lead unproductive investment decisions and lower savings. Insurance is the skill and knowledge to take an informativemeasures on financial resources. In 2012, RBI with other financial regulatory body like IRDAI and SEBI launched a joint programme called 'National Strategy for Financial Education' with the focus on 'Inclusive growth'. The objectives were to make access financial services and to know the rights and responsibilities under it. **Insurance** makes people known to their financial risks and promotes awareness regarding benefits of financial services like having bank account, getting loans, investment proposal, insurance etc. These services have much importance to many of us at several times in our life. It embeds money saving and supports investment idea. It enables people to have better access to life, a secure and comfort future. Ultimately insurance achieves its target.*

Insurance does not matter with lower savings in banks account but to be under privileged in accessing to the financial service is harmful for the country. To reach right people will make also capital building for the economic development of India. It makes financial institutions to have more customers, better government planning and implication, more equity in the bank as in country, will conduct good investment to the country and finally a better lifestyle.

Keywords: Insurance, Inclusive Growth, Financial Service, Demonetization

INTRODUCTION

Insurance is an approach towards the financial risks and services. Through this approach, people develop some required set of skills and knowledge about financial opportunities. These required set of skills enables people to have awareness regarding financial events. The knowledge and information allows them to invest in good future. They become able to take decisions on financial problems arouses in their lives. This ability provides them to execute the financial services for their betterment. They would become able to work on personal finance like numerical counting, simple and compound interest, future value of money, EMI, inflation and risks. The dream of financial inclusion can be achieved only if one has



Insurance. Thus, Insurance is a part of financial inclusion and also economic development of India will be sustainable if it is inclusive in nature. Decisions to have only bank account is not sufficient for the Insurance but to use of these services are necessary for daily life. By delivering financial services, Insurance can be achieved. Financial education is basically to make people aware about financial risk, services, information and practices. By this, they become a member of a process by which an economic activity takes place in the country. The ultimate objective of Insurance takes place and people get engaged and exploit the financial services provided by the various financial institution, government agencies, department, ministries and other organization.

These days, people are getting closer to Insurance due to government and various interested groups, communities initiatives. In 2012, the Central Bank of India i.e. RBI took initiative with some other financial regulatory body like Securities Exchange Board Of India and Insurance Regulatory and Development Authority of India jointly launched a draft called "National Strategy on Financial Education". It comprises framework to work on Insurance.

Definitions by renowned institutions:

According to RBI, "Providing familiarity with and understanding of financial market, products, especially and risks, in order making informed choices."²

Another definition of Organization for Economic Co-operation and Development says, "Insurance as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual well being."³

Insurance gives support to financial indebt people, aware them about risks and encourage them to save and invest. Insurance plays crucial role in financial system of a country as well as in economy. Financial education is not entitled with having a bank account but it should be main objective of joining of a weaker and financial poor people with financial activity.

Why Insurance?

As India is growing, increasingly, being a complex economy, in terms of financial market, system, regulation and services. And now, in recent years, the trend has been changed. People do saving in bank and like using modern financial instruments. Though some section of society do not use banking services and intends to be in non-financial activity. India is among top countries in savings. But does this fulfil the literacy criteria? No. Insurance reflects different in different people. Some take it as basic money management information like saving, loans, investment and insurance and some finds it as growing and emerging new challenges to be updated in capital market of India. But the ultimate objective of Insurance is kept on knowing all the information regarding financial activities to its different stakeholders. As economy develop by far when its people do take part in financial activities and also financial awareness comes from financial interest shown by their people and institutions towards its customers. Since all these joins one to one and subsequently makes people financial aware and risk free.

Necessity of Insurance:

India is a country of 1.32 billion people and here Insurance has much importance not just for the investors but also users. Average user seeks a better future planning, to collect fund for children's education and marriage and ensures their income after retirement. In India, every festival and holiday is meant for financial transaction and expenditure. At that time, financial education keeps them updated to the financial events and practices. At the same time impact of financial decision plays crucial role in one's future. Insurance is an aspect which covers



almost all the communities of society, trade and merchants, business of manufacturing or services, entrepreneurs and many others. These all have to access with financial institution once minimum or they have to make an arrangement of finance department to deal with financial issues of people or personnel.

Insurance secures people's interest. It is government's or bank's responsibility to provide them assist in dealing with all. Thereby, they participate in economic activities which encourage them further itself too. The economic development of country shows the involvement of people in the financial system. Countries like India where 76 % population is young and adult does not know the basic financial concept. It was 9 Aug 2015, PM Modi launches "JAN DHAN YOJNA" aimed at financial inclusion of people into the main stream. The aim of this Yojana is to open a bank account on zero rupee deposit so that government funding and subsidies may reach to the beneficiary without third involvement stopping fraudulent usage of subsidies and other benefits.

Benefits of Insurance:

Insurance concerns with particular attitudes towards financial events and products. It benefits all the stakeholders. Insurance ensures that the products might reach properly to the people. All the stakeholders is to be informed about the policy and norms about financial institution so that their involvement may occur. Government initiatives or schemes may reach to its target group. Financial education is also about economic welfare. All the financial resource will have to equally distribute and this can only be achieved by public's awareness, responsibilities and rights. It helps protect against the exploit and fraudulent financial schemes. It uplifts the social credential of an individual in the society.

Challenges in Insurance:

Every developing country is facing challenges in Insurance. This has technological, demographical, cultural, geographical, cultural and national barrier. In India, there are several barriers too. Here, majority of the population still does not have bank accounts, prior to launching of JAN DHAN YOJANA. May not necessarily keeping money in bank and earn profit is right for some section of society but to take part in financial transactions and activity. However, few challenges are to meet at a time;

- To meet the regular financial activity while focusing on making financial literate India.
- To give security, risk free and comfort financial services.
- To bring the majority of people into the banking system who has thought of non compatibility.
- To make India financial decrease and indebt free.
- Many people are still not aware of banking facilities. In rural India, banks have not even reached.
- Many under privileged section of society does not have bank account to initiate financial activities so that their involvement may happen.

Literature review

In 2010, the then Finance Minister Pradab Mukharji said that the Insurance is a key to financial inclusion. He also said that the financial market now offers complex choices to consumers but literacy is essential for consumer to make informed choices.⁴

Upendra Singh in his studied titled "Insurance and financial stability are two aspects of efficient economy" found that financial resource can be allocated effectively if people have informed choices. Greater Insurance gives greater saving rate which is important component



of an economy. He also quoted that in India high indebtedness has been reported. For sustaining of economic development India needs to work on debt management. Insurance severely affected due to less education, demographic cause like ethnic and social barriers.⁵ Voman S Desai in his paper “importance of literacy in India’s growth” said that insurance is success key of economic growth.⁶

Organization for Economic Co-operation and Development in the press release of “Importance of Financial Education” on website described very broadly on Insurance and said that now a day’s people think that they are financial literate but they aren’t actually. With this attitude they are increasingly bearing more risk and burden of financial services. Emerging countries can educate consumers and help ensuring financial sector of an economy contributes to the economic growth.⁷

Neha garg and Shveta Singh presented her paper titled “Insurance among Youth” and found that there has been various demographic reason such as age, gender, income disparity and educational attainment influence Insurance. Insurance have interrelation with financial attitude and financial behaviour of youth.⁸

Lavanya Rekha Bahadur in her paper “Insurance: The untold story” presents the important role of Insurance. She said in a statement that “Every saver is potential investor and every investor ought to be financial literate. She also determined the many Indian still have financial inactive and participation in the financial markets is less. She believes in Insurance and ensures smooth functioning of financial markets, services and products.⁹

Objectives

The objective of this study is to:

- To study the level of Insurance in India.
- The need of Insurance in India.
- To analyse the contribution of Insurance for the economic development of India.
- To study the reason behind lagging in Insurance of Indian people.

Secondary objective

- To know the instantly increment of Insurance in India.
- To demonstrate the factors in the Insurance so that economic development of India can achieve.

Limitation and Research methodology

This paper is descriptive based study and uses only secondary data that has been collected from various journals, books, articles, websites, and newspaper etc. This has been used to study the conceptual framework of Insurance in India only.

Findings and Observations

Insurance among Indians is very scary. Many industries get close due to their financial management. Insurance even in working class of people is not satisfactory and small and cottage industries are still poor. They are bound in debt trap so grievously. Many of us think that industry runs on market condition and labour sufficiency but it is not actual picture of the scene. Their financial mismanagement leads them in that situation. Inefficiency with financial instruments is the reason behind failure.



In India many communities are considered very well in financial management. But majority of population is still not aware with basic financial concepts i.e. simple or compounding interest that how money grows in the bank or financial institutions.

Other countries initiatives

My findings on Insurance presents that many countries had started programme very early. UK had run a largest campaign on Insurance. USA treasury set up a “Office of financial Education” in 2002. Singapore runs a programme i.e. “MoneySENSE” from 2003. All these programmes basically aims to provide knowledge and skill to manage their day to day finance. OECD promotes financial education in their member as well as in non-member countries. They are continuously working through workshop, seminar, research paper on Insurance etc.

Insurance in India

India has not satisfactory level in Insurance. This is not only prevailing in India only but also in other country. Data shows the rate of Insurance in various countries;

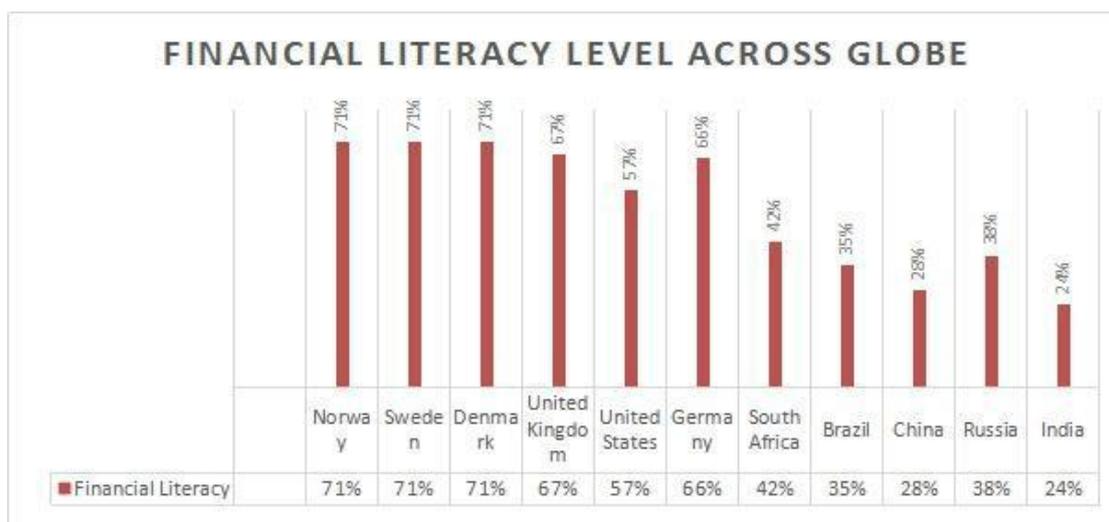


Figure 1 shows the various countries Insurance rate

This data shows that Norway, Sweden and Denmark have maximum Insurance i.e. 71% while India has minimum i.e. 24%. According to Standards & Poor’s survey, over 76% Indian adults lack with basic financial concept.¹⁰

If we consider Insurance state wise in India then the real phenomenon can be known that is shown in table:

Figure 2 shows the data regarding Insurance among all the states of India

NAME OF A STATE	GENERAL LITERACY(in percentage)	INSURANCE(in percentage)
ANDHRA PRADESH	60	23
ARUNANCHAL PRADESH	55	10
ASSAM	61	20
BIHAR	50	8
CHHATISHGARH	60	4
GOA	80	50
GUJRAT	68	33
HARYANA	65	21



HIMANCHAL PRADESH	73	16
JAMMU AND KASHMIR	NA	NA
JHARKHAND	56	15
KARNATAKA	67	25
KERALA	84	36
MADHYA PRADESH	59	23
MAHARASTRA	73	17
MANIPUR	69	36
MEGHALAYA	60	24
MIZORAM	77	6
NAGALAND	68	8
ODISHA	64	9
PUNJAB	67	13
RAJASTHAN	56	20
SIKKIM	73	8
TAMIL NADU	72	22
TRIPURA	67	21
UTTAR PRADESH	57	10
UTTRAKHAND	68	23
WEST BENGAL	62	21
ANDAMAN AND NIKOBAR	82.43	14
CHANDIGARH	81.19	38
DAMAN AND DIU	79.55	29
DADRA AND NAGAR HAVELI	64.32	31
DELHI	80.76	32
PUDUCHERRY	80.67	21
LAAKSHWADEEP	87.95	22

Source- data compiled from the national centre for financial report, 2015¹¹

Table shows that Kerala has highest literacy i.e. 36% while in the non union territories states while Chhattisgarh and Mizoram has lowest literacy rate i.e. 4 and 8% respectively. If we further analyse in union territories state Chandigarh tops the list with 38% while lowest retains with Andaman and Nikobar i.e. 14%.

Insurance initiatives in India:

To develop a financial skill for daily financial management, better policy choice, better life and health insurance etc many government body are involved to make India “Financially literate”.

1. RBI’S Initiatives:

RBI has started “Project Insurance” programme. Information and messages are continued to be telecast through television and Radio. Workshops and Seminars has been organised at many schools and colleges. These has targeted over rural India, school, college and local government body like RRBs and Post Office etc.

2. SEBI’S Initiatives:

SEBI with RBI and IRDAI launched a joint portal i.e. National Strategy for Financial Education. It comprises the framework to work on Insurance. SEBI also releases guidelines for its stakeholders. Any information and regarding message, if, is concerned to Insurance, SEBI avails it in its official websites.



3. Other Initiatives:

IRDA took different steps in the area of interested people on Insurance. It has conducted various seminar and workshop on policy holder's interest.

The Pension Fund Regulatory and Development Authority also launched a portal on its websites asking pension related issues. EPFA also regulates and guides employees where to invest their provident fund.

There has been other institutions too, taking various measures in field of Insurance. NSE and BSE two big market player in history of economic development of India has played a very significant and crucial role. They have not caught fraudulent cases but carry out the literacy programme among the common as well as business class people.

Suggestions and Conclusions

It has accepted that overall growth of an economy is possible only by way of financial inclusion. Financial Inclusion is an approach to bring people in financial market and their services. They all would fill comfortable if they know the basic financial concept, are involved in day to day activity of financial management otherwise their inclusion, in banking or other financial institutions, will not sustain.

It has seen in various studies that the rural Indian people are not accessing the bank's services. One can't think to survive in today's world without finance. But this is grievous truth that majority of population does not have even the bank accounts which is the basic requirement to take place in an economic as well as financial activity. Though many workshops, seminars, project and portal has been running in the country but this is still not sufficient to enhance literacy at satisfactory level.

Former RBI Governor Y Y Reddy once said, "Present day pass outs need to be a lot more financial literate than theirs parent were." So in this context I would like put a suggestion that we need a holistic approach to cover all the aspect of society whether it is vendor, slums, trader, investor, bank, employees, school or college going, households, women or senior citizens etc. We need a programme from where we can motivate and found volunteer to reach people and can help making financial literate India. This is, of course, minuscule step but will promote people to enter in financial market so that an economic activity can take place ensuring development of an individual too.

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