



BEHIND EVERY SUCCESSFUL ECONOMY – THERE IS INSURANCE

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INTRODUCTION

Insurance sector is one of the sectors contributing to the economy. One of the interesting questions is that what is the role that this sector plays in the development of an economy? Most of the time it is banking sector and capital market which are considered for evaluating the relationship between economic development and financial markets. In recent period PMJDY was introduced by the present Government led by Shri Narendra Modi for financial inclusion and as well as for economic development can be taken as a good example of banking sector being given priority for economic development. But insurance, banking and securities markets are closely related. Insurance has its own special characteristics which play its functions in the development of the country. This tries to throw some light on the characteristics of the insurance in the growth of the economy.

MEANING OF INSURANCE

Insurance is a method of risk management in which the insured transfers the cost of probable loss to another entity in exchange for compensation that is premium. It enables individuals both natural and artificial to protect themselves against significant potential losses at a reasonable rate.

Role Played by Insurance Sector

1. It promotes financial stability at both micro and macro level that is national and individual levels and also ensures security not only to the individuals but also to the nation in progressing in a confident manner.
2. It mobilizes savings and encourages investments and makes proper utilization of funds available with them.
3. It gives surety to the banks for arranging credit to the borrowers in the event of their default in repaying back the borrowed amount.
4. It encourages productive investments and innovations, through a sense of security.
5. It diversifies risk, both asset and personal, which is the key for risk taking in term returns.
6. Makes the business a safer place for workers in the industries by workers' compensation or medical health cover, thus productive.
7. It provides cover both life and general insurance for lives and movables and immovable respectively.

BENEFITS TO SOCIETY

1. **Mental Tension Relief**
At the foremost insurance gives mental relief from the constant uncertainty of adverse circumstances. One may not be able to prevent the fire in their house or at business, but by insuring the same can claim for the loss to some extent or the whole.
2. **Possible Business Risk**
Business means risk and uncertainty. Insurance allows businesses to take additional risks without fear of huge financial loss. All the people will desire to live a cleaner, healthier, comfortable and easy life. To meet this requirement different enterprises produce and provide goods and services. They make innovation and inventions, which take great risk. Large responsibility falls on the shoulder of innovators and inventors. A small error or lapse may cause numerous side effects and cause death or disability. These types of risks highlight the importance of insurance. If there had not been insurance at the back of all innovators the world would have never progressed. After assuring this in security factor the enterprises started looking for new and more high-tech machines, robots and gadgets, atomic technology, space traveling, computers, deep sea exploration, development of Concorde and Jumbos and medical technology. All these developments could be possible with the support of insurance, which was invisible.
3. **Safe Environment**
They advise businesses about proper safety techniques to minimize risk and make the business a safer place for workers in the industries and also makes them aware of what has to be and what not to be.
4. **Economic Stimulation:** Insurers do not immediately spend all the premium money they collect. Generally, insurers are required by governments to maintain a cash reserve equal to or greater than a certain percentage of their

liabilities. While they possess this money, they tend to invest it in a wide range of endeavors for the development of the economy. Insurance Regularity and Development Authority is the regulatory body which supervise the Insurance Sector companies.

BENEFITS TO INDIVIDUAL

1. Provides financial support to the family members in the event of untimely death of the insured.
2. Acts as a long term investment by planning for life stage needs like children's education, their marriage, building dream home or planning a relaxed retired life, according to your life stage and risk appetite.
3. Protection against rising health expenses that is health insurance plans offer the benefits of protection against critical diseases and hospitalization expenses.
4. Induces the habit of long-term savings. That is regular periodical payment called premium is to be paid by the insured. Regular savings over a long period ensures that a decent corpus is built to meet financial needs at various life stages of an individual for one's future planned.
5. Policyholders have the option of taking loan against the policy, while one is under the insurance cover.
6. Insurance plans provide attractive tax-benefits.

PERFORMANCE OF INDIAN INSURANCE MARKET

India insurance market has grown from 2.3 per cent in 2000 to 3.9 per cent in 2013. Life insurance improved from 1.8 percent to 3.1 and Non Life insurance from 0.5 percent to 0.8 percent in 2013. This shows that the life insurance penetration level increased in the Indian economy. During 2013-14, the life insurance industry recorded a premium income of Rs.3,14,283 crores as against Rs. 2,87,202 crores in the previous financial year, registering a growth of 9.4 per cent. While private-sector insurers posted 1.4 per cent decline in their premium income, Life Insurance Corporation of India (LIC) recorded 13.5 per cent growth during the period. On the basis of total premium income, the market share of LIC increased from 72.7 per cent in 2012-13 to 75.4 per cent in 2013-14. Overall there is improvement in this sector. In fact this numbers should have been more attractive , but with some misrepresentation by some of the agents, in order to over sell the insurance have been responsible for the above figures. With IRDA monitoring closely the activities of Insurance Companies there is a slight improvement in this sector. But still it has to improve a lot and both Insurance Companies and people also need to understand the real purpose of this enterprising Sector Insurance.

CONCLUSIONS

On observing the role played by the insurance industry and the benefits the individuals and society receive, one can conclude the importance of this sector. Recently the step taken by the Shri Narendra Modi's government by introducing the Pradhan Mantri Jeevan Jyoti Bima Yojana which offers Rs 2 lakh cover at Rs 330 premium every year. Bank account holders in the age 18 to 50 years were eligible to take this facility and Pradhan Mantri Suraksha Bima Yojana which offers a renewable one year accidental death cum disability cover of Rs 2 lakh at Rs 12 premium every year. The insured will get Rs 1 lakh in case of partial permanent disability. Introducing these insurance schemes shows how important is this sector for the economic development.

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