



A study on the opinion of internal and external stakeholders on importance of FDI in insurance sector

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Abstract

Insurance companies operate on the financial market and work with a wide range of market participants, including insurance undertaking owners, managers, and employees, exclusive agents, independent agents, insurance brokers, private and institutional clients, banks, reinsurers, outsourcing companies, market competitors, insurance organisations, providers of business support services, and members of the community. Insurers must meet the needs of each stakeholder group. The owners, management, staff, and exclusive agents make up an insurance firm's internal environment. An insurance company's external environment is formed by of An insurance company is made up of private and institutional clients, insurance brokers, other insurers, outsourcing firms, insurance organisations, business support service providers, research and development organisations, and community members.

This research is based on both primary and secondary data. The primary data is gathered through a questionnaire from 1) internal insurance stakeholders and 2) external insurance stakeholders. The acquired data was examined using statistical tools and techniques such as descriptive and tabular analysis for dependent variables, averages for obtaining the mean values of particular elements, and T-test.

Introduction

As India is a developing economy, it is drawing huge attention from global investors. The inflow of FDI into the country has numerous benefits, including increased demand for foreign currency, capital formation, new job possibilities, increased GDP, and so on. The FDI ceiling in the insurance business used to be around 26%, but it was raised to 49 percent in 2018. In the most recent budget (2021), the limitation on FDI in the insurance sector was raised to 74 percent, allowing several foreign insurance companies to enter the Indian insurance market and existing insurance companies to open new branches. Banking and insurance services now account for around 7% of the country's GDP. A well-developed and evolved insurance sector is beneficial to economic growth and development since it provides long-term finances for a country's infrastructure development.

Keywords: FDI, Insurance, Internal Stakeholders, External Stakeholders.

Literature Review

Terina Grazy, G. Parimalarani, and M. Rathi Meena (2019) article titled "Foreign Direct Investment in the Insurance Sector: A Key to Increased Insurance Penetration," discussed how FDI in insurance would help India meet long-term capital requirements for infrastructure development. In their report "Government of India Amends Foreign Direct Investment (FDI) Policy in the Insurance Sector," **Deloitte** states increasing foreign investment limits in Indian insurance companies from 49 percent to 74 percent via the automatic route could result in foreign joint venture partners consolidating equity stakes in an existing Indian insurance joint venture.

Need for the study

The Indian insurance sector has been around for more than 150 years. It has seen various periods of activity, beginning with a large number of private sector enterprises, then moving to nationalisation, and then back to the private sector. The first wave of reforms in the insurance market began with the creation of the IRDA, which allowed private businesses to register to write insurance business with a 49 percent FDI cap (now it is 74 percent). The goal of the study was to examine the major dimensions of FDI in the insurance business from the perspective of stakeholders.

Objective of the study

To analyze the opinion of internal and external stakeholders on importance of FDI in insurance sector

Null Hypothesis (H0)

There is no significant difference between Internal Environment Stakeholder and External Environment Stakeholder with regards to importance of Foreign Direct Investment in insurance sector.

Alternate Hypothesis (H1)

There is a significant difference between Internal Environment Stakeholder and External Environment Stakeholder with regards to importance of Foreign Direct Investment in insurance sector.

Research Methodology

The term "research" refers to a thorough and systematic search for pertinent information. The primary goals of research are to unearth truths that have yet to be discovered or to improve on prior research discoveries.

Methods of "Data Collection": The problem-solving process begins after the data collection is accomplished. The majority of the research is empirical. The data included in the study came from both primary and secondary sources. Data was collected via questionnaires. A total of 525 respondents were gathered from both internal and external stakeholders. We used both open-ended and closed-ended surveys.

T-TEST

Null Hypothesis (Ho)

There is no significant difference between Internal Environment Stakeholder and External Environment Stakeholder with regards to importance of insurance sector.

Alternative Hypothesis (H1)

There is a significant difference between Internal Environment Stakeholder and External Environment Stakeholder with regards to importance of insurance sector.

Table-4.8

Internal Environment Stakeholder and Internal Environment Stakeholder with regards to importance of insurance sector

Questionnaire-1			Questionnaire-2		
Internal Environment Stakeholder	Mean	S.D.	External Environment Stakeholder	Mean	S.D.
The increased in FDI limit will bring much needed relief to insurance companies	3.4112	1.10755	The increased in FDI limit will bring much needed relief to insurance companies	3.0914	1.22600
The increased in FDI limit will bring more employment.	3.3352	1.29075	The increased in FDI limit will bring more employment.	3.2457	1.34171
FDI is Favorable to the Pension Sector	3.3790	1.17022	FDI is Favorable to the Pension Sector	3.2743	1.23445
There will be improved services and better claim settlement.	3.4000	1.29149	There will be improved services and better claim settlement.	3.3029	1.34139
Technology will be upgraded	3.2438	1.27871	Technology will be upgraded	3.1352	1.32892
There will be increased capital inflow	3.2819	1.39127	There will be increased capital inflow	3.1714	1.41729
The increase in FDI can result in inclusion of global best practices in terms of insurance products	3.1676	1.29241	The increase in FDI can result in inclusion of global best practices in terms of insurance products	3.1238	1.33290
FDI will also help in bringing down the cost of insurance products	3.4686	1.31545	FDI will also help in bringing down the cost of insurance products	3.3790	1.37422
FDI will benefit small insurance players	3.3752	1.20675	FDI will benefit small insurance players	3.2705	1.26882
FDI is likely to help local private insurers	3.2762	1.30688	FDI is likely to help local private insurers	3.1790	1.34730

Source : compiled and calculated from earlier tables, output from SPSS

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair1	internal Stakeholders	3.3339	10	.09070	.02868
	External Stakeholders	3.2173	10	.09145	.02892

Paired Sample Correlation

		N	Correlation	Sig.
Pair1	internal Stakeholders & External Stakeholders	10	.671	.034

Paired Sample Test

		Paired Difference							
					Interval				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair1	internal Stakeholders - External Stakeholders	.11655	.07393	.02338	.06366	.16944	4.985	9	.001

The researcher used the T test to see if there was a statistical difference in these mean values between internal and external stakeholders in terms of the relevance of the insurance sector. The correlation (.671), T-value (4.985), and significant value (.001) were found in paired sample correlation. The significance level is set at less than 0.05. It was found that there is a substantial difference between Internal Environment Stakeholders and External Environment Stakeholders in terms of the importance of FDI in the insurance sector, and therefore the null hypothesis was rejected.

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