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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
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IMPACT OF FOREIGN DIRECT INVESTMENT ON NON-LIFE INSURANCE SECTOR IN INDIA

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ABSTRACT
Foreign direct investment in the insurance sector has been increased from 26 per cent to 49 per cent. The increase in the limit has an impact on the number of policies issued, incurred claims ratio and assets under management of non-life insurance companies. In the study, whether foreign direct investment has impact on the performance of the non-life insurance companies has been analyzed using the secondary data collected for a period of 13 years from April 2001 to March 2014. The data for the study was collected during the period when FDI limit was at 26 per cent. The private sector non-life insurance companies are focusing on the motor insurance followed by health insurance in second place, fire insurance at third and marine insurance at last. The foreign direct investment effect has been examined by using Pearson's Correlation and Simple Regression Analysis. The assets under management (investment decisions) of the private sector non-life insurance companies were influenced by the foreign promoters. The public sector non-life insurance company is facing a tough competition after opening up the non-life insurance market to foreign players.

KEYWORDS
foreign equity capital, insurance density, insurance penetration, non-life insurance.

INTRODUCTION
The fundamental basis of insurance in India is pooling of resources which is re-distributed in times of calamities such as fire, floods, epidemics and famine, which always touched the concept of non-life insurance. India is the fifth largest insurance market among the globally emerging insurance economies. Non-life insurance is an insurance that is not determined to be life insurance. It includes fire, marine, automobile and health insurance policies. The insurer collects premium and provide payments depending on the loss from a particular financial event. Insurance forms a crucial part in a properly constructed financial plan and is mainly used as a tax saving instrument.

India is the second most preferred destination for foreign direct investment (FDI) after China. It is predicted that foreign investment inflows would double and cross the US$ 60 billion in the financial year 2015-16. The central government's policy and favouring business environment have ensured that the foreign capital keep flowing into the country. The insurance sector has already undergone the sweet and sour experience of foreign investment in the early parts of 1990s. The government formed the Malhotra Committee in the year 1993 to propose recommendations for reforms in the insurance sector. One of the suggestions of the committee was to allow foreign insurance companies to purchase equity holdings of the Indian insurance companies and can do business in India as a joint venture with Indian partners. Forming of IRDA in 1999 was considered a major boost in the insurance sector. IRDA is acting as a watchdog and frames the rules and regulations for the activities of both government and private insurers in India. India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26 per cent. But it had a little effect on the insurance sector only for a decade. IRDA batted for a hike in the foreign direct investment limit to 49 per cent in the insurance sector from the previous 26 per cent. Thus the FDI limit was raised from 26 per cent to 49 per cent in the Union Budget of 2014-15.

REVIEW OF LITERATURE
Mohanasundari and Balanaga Gurunathan (2010) had analyzed the changing face of Indian health insurance sector. They observed that at the time of liberalization policy being implemented, the role of private participants in the insurance sector was very less but later private companies started to give a tough competition to the public sector companies. The use of innovative and customized products, proper distribution channels and aggressive marketing strategies employed by the private insurers increased their share in both life and non-life insurance. It was at the end of the 20th century, the government set a slab to the foreign promoters to keep their paid-up capital up to 26 per cent in an Indian company and with a capital of Rs. 100 crores. The private insurers have in order to compete in the market introduced many new schemes with various tangible and intangible benefits.

ICICI Research (2012) had propounded that increase of FDI limit in insurance sector is a positive move by the central government. The Cabinet Committee for Economic Affairs has increased the FDI cap in insurance sector to 49 per cent and many foreign players are expected to take smaller stakes. It is expected that foreign funds can come much faster in insurance sector than others. The hike in FDI limit and tax breaks in life insurance premiums can lead to revaluation of multiples of insurance companies.

Yogita Sharma (2013) made a SWOT analysis about the foreign direct investment in the insurance sector in India. The author opined that the major strengths or opportunities available for the insurance sector are a variety of products that can be launched to cater the different segments of the people and replacement of traditional agents with other channels like internet and bank branches. The major weakness or threats facing the insurance sector are the public sector insurance companies are still dominating the insurance sector and the re-insurance service is only provided by General Insurance Corporation. India is the lowest spending nation in Asia in respect to purchasing of insurance policy. There must be reforms in the tariff structure of both life and non-life insurance.

Sourajit Aiyer (2013) had focused on the challenges lying ahead for the Indian insurance companies. The private participants gained momentum in the insurance sector due to growing economic condition, increasing purchasing power, more disposable income and increasing awareness. The insurance companies are facing difficulty in developing physical networks, retaining potential agents and customer acquisition which eat away majority of the profits. Foreign companies are trying to make use of their experiences gained globally, technological know-how, innovative products, client servicing tools which would be relevant to move forward. Though insurance is still a push product in India, the demand for it increases are due to hospital expenses, changing lifestyle diseases and medical advancement

OBJECTIVES
(1) To analyze the effect of foreign direct investment on the non-life insurance sector in India.
(2) To analyze the impact of foreign direct investment on the performance of non-life insurance companies in India.
(3) To analyze the impact of foreign direct investment on the investment decisions of the non-life insurance companies in India.

RESEARCH METHODOLOGY

TYPE OF STUDY

It is a comprehensive and in-depth study about the performance of the non-life insurance companies in India which are decade-old and have proved their worth in terms of performance and effective returns.

SOURCES OF DATA

The required secondary data for the research have been collected from published information in the websites of IRDA, RBI, MEA, DIPP, FIPB, SEBI, IBEF and the websites of concerned insurance companies, newspapers, magazines, books, periodicals, research journals and reports.

PERIOD OF THE STUDY

The information about the performance of non-life insurance companies in India was collected for a period of 13 years from April 2001 to March 2014.

RESULTS AND DISCUSSION

The following statistical tools of SPSS were employed to analyze the data and they were Analysis of Variance (ANOVA), Karl Pearson's Correlation and Simple Linear Regression.

ANALYSIS OF VARIANCE

One way ANOVA was used to test variance among the year-wise inflow of foreign capital in the private sector non-life insurance companies in India. (Significance level, $\alpha = 0.05$)

H_0: There is no significant difference between foreign equity share capital inflows in the private sector non-life insurance companies.

H_a: There is significant difference between foreign equity share capital inflows in the private sector non-life insurance companies.

The result of ANOVA is presented in the Table 1 below:

TABLE 1: ANALYSIS OF VARIANCE OF FOREIGN EQUITY SHARE CAPITAL OF NON-LIFE INSURANCE COMPANIES OVER THE SPAN OF 11 YEARS

Year	Source of Variation	Sum of Squares	df	Mean Square	F- Value	p-value	Results
2004	Between Groups	4858.671	5	971.734	9.221	0.000	H_a accepted
	Within Groups	1686.181	16	105.386			
	Total	6544.852	21				
2005	Between Groups	5108.621	5	1021.724	9.695	0.000	H_a accepted
	Within Groups	1686.181	16	105.386			
	Total	6794.802	21				
2006	Between Groups	7691.690	5	1538.338	9.983	0.000	H_a accepted
	Within Groups	2465.609	16	154.101			
	Total	10157.299	21				
2007	Between Groups	9990.025	5	1998.005	8.986	0.000	H_a accepted
	Within Groups	3557.737	16	222.359			
	Total	13547.762	21				
2008	Between Groups	8877.095	5	1775.419	4.423	0.010	H_a accepted
	Within Groups	6422.942	16	401.434			
	Total	15300.036	21				
2009	Between Groups	9364.858	5	1872.972	3.353	0.029	H_a accepted
	Within Groups	8936.301	16	558.519			
	Total	18301.159	21				
2010	Between Groups	10318.352	5	2063.670	2.599	0.066	H_0 accepted
	Within Groups	12706.357	16	794.147			
	Total	23024.709	21				
2011	Between Groups	11159.082	5	2231.816	1.477	0.252	H_0 accepted
	Within Groups	24173.361	16	1510.835			
	Total	35332.443	21				
2012	Between Groups	11505.642	5	2301.128	0.891	0.510	H_0 accepted
	Within Groups	41324.927	16	2582.808			
	Total	52830.569	21				
2013	Between Groups	8885.836	5	1777.167	0.463	0.798	H_0 accepted
	Within Groups	61394.485	16	3837.155			
	Total	70280.322	21				
2014	Between Groups	7217.111	5	1443.422	0.313	0.898	H_0 accepted
	Within Groups	73831.147	16	4614.447			
	Total	81048.258	21				

Inference: The result indicated that foreign capital of private sector non-life insurance companies varied significantly from the year 2004 to 2009, but from 2010 to 2013 foreign capital did not vary significantly. This implies that foreign capital increased gradually with increase in number of joint ventures in the non-life insurance sector.

CORRELATION ANALYSIS

Correlation analysis was used to test the relationship between insurance density and number of policies issued by private sector non-life insurance companies in India. The result of correlation analysis is presented in the Table 2 below:

TABLE 2: CORRELATION BETWEEN INSURANCE DENSITY AND NUMBER OF POLICIES ISSUED BY NON-LIFE INSURANCE COMPANIES OVER THE SPAN OF 11 YEARS

Insurance density vs. Number of policies issued by non-life insurance companies											
Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Pearson Correlation	0.854	0.824	0.880	0.894	0.991	0.892	0.903	0.978	0.998	0.997	0.997

Inference: The result indicated that correlation values were high in the years 2011, 2012 and 2013 which implies that number of policies issued by private sector non-life insurance companies were high which lead to high insurance density.

REGRESSION ANALYSIS

(1) Regression analysis was used to test foreign equity share capital influence on the claims incurred by private sector non-life insurance companies in India. (Significance level, α = 0.05)

H_0: β = 0 (Foreign equity share capital is not a useful predictor of claims incurred by private sector non-life insurance companies.)

H_a: β ≠ 0 (Foreign equity share capital is a useful predictor of claims incurred by private sector non-life insurance companies.)

The result of regression analysis is presented in the Table 3 below:

TABLE 3: REGRESSION OF FOREIGN EQUITY SHARE CAPITAL ON CLAIMS INCURRED BY NON-LIFE INSURANCE COMPANIES IN INDIA

S. No.	Non-life Insurance companies	R square value	p-value	Results
1	Bajaj Allianz	0.768	0.000	H_a accepted
2	Bharti Axa	0.979	0.000	H_a accepted
3	Cholamandalam MS	0.696	0.001	H_a accepted
4	Future Generali	0.970	0.000	H_a accepted
5	HDFC Ergo	0.836	0.000	H_a accepted
6	ICICI Lombard	0.767	0.000	H_a accepted
7	IFCO Tokio	0.718	0.001	H_a accepted
8	Raheja QBE	0.214	0.355	H_0 accepted
9	Royal Sundaram	0.989	0.000	H_a accepted
10	SBI General	0.897	0.015	H_a accepted
11	Shriram	0.821	0.013	H_a accepted
12	TATA Aig	0.952	0.000	H_a accepted
13	Universal Sompo	0.808	0.006	H_a accepted

Inference: The result indicated that foreign capital is a useful predictor of claims incurred by twelve private sector non-life insurance companies except for one, viz. Raheja QBE (0.214).

(2) Regression analysis was used to test foreign equity share capital influence on the assets under management of private sector non-life insurance companies in India. (Significance level, α = 0.05)

H_0: β = 0 (Foreign equity share capital is not a useful predictor of asset under management of private sector non-life insurance companies.)

H_a: β ≠ 0 (Foreign equity share capital is a useful predictor of claims incurred asset under management of private sector non-life insurance companies.)

The result of regression analysis is presented in the Table 4 below:

TABLE 4: REGRESSION OF FOREIGN EQUITY SHARE CAPITAL ON ASSETS UNDER MANAGEMENT BY NON-LIFE INSURANCE COMPANIES IN INDIA

S.No.	Non-life Insurance Companies	R square value	p-value	Results
1	Bajaj Allianz	0.672	0.002	H_a accepted
2	Bharti Axa	0.969	0.000	H_a accepted
3	Cholamandalam MS	0.652	0.001	H_a accepted
4	Future Generali	0.959	0.000	H_a accepted
5	HDFC Ergo	0.782	0.000	H_a accepted
6	ICICI Lombard	0.686	0.001	H_a accepted
7	IFCO Tokio	0.577	0.004	H_a accepted
8	Raheja QBE	0.088	0.569	H_0 accepted
9	Royal Sundaram	0.978	0.000	H_a accepted
10	SBI General	0.867	0.021	H_a accepted
11	Shriram	0.879	0.006	H_a accepted
12	TATA Aig	0.929	0.000	H_a accepted
13	Universal Sompo	0.707	0.018	H_a accepted
14	Apollo Munich	0.990	0.000	H_a accepted
15	Max Bupa	0.989	0.000	H_a accepted
16	Star Health	0.852	0.000	H_a accepted

Inference: The result indicated that foreign capital is a useful predictor of assets under management by fifteen private sector non-life insurance companies except for one, viz. Raheja QBE (0.088).

FINDINGS

The important findings of the present study are:

(1) Non-life insurance sector has a premium base of USD 26.54 billion in India.
(2) The government owned non-life insurers issue more policies when compared to the total number of policies issued by all the 24 private non-life insurers.
(3) Private non-life insurance companies have the highest percentage increase in the number of policies issued every year when compared to government non-life insurance companies (compared individually).
(4) L&T General Insurance, Reliance General Insurance and Religare Health Insurance have the entire equity share capital owned by the Indian promoters without any foreign direct investors' intervention.
(5) Public sector non-life insurance companies are paying the highest commission than the private sector non-life insurance companies (compared individually). Therefore, there are more agents in government non-life insurance companies.
(6) Commission paid is higher in motor insurance, followed by health insurance in second place, fire insurance at third and marine insurance at last.
(7) Motor insurance is given more importance by the insurers because vehicle population is increasing every day and it provides more profit for them.
(8) The number of grievances reported to private sector non-life insurers were very much less when compared to public sector non-life insurance companies.
(9) Grievance resolved in the non-life insurance sector had tremendously increased over the years due to good redressal mechanism provided by IRDA to the clients.

SUGGESTIONS

The suggestions given out of the present study are:

(1) Increase in foreign direct investment slab in the insurance sector will allow more capital inflow for the private sector insurers which would help them to meet out their operational cost and develop new models for reaching out the untapped niche markets in the country.

(2) Insurance companies can offer pure term life insurance products and health insurance products under the umbrella of single product.
(3) In order to improve insurance penetration, the Government has to provide financial education, understanding about insurance products and improve the propensity to purchase insurance products based on its premium and returns.
(4) The public sector insurance companies may have a hold in the financial strength, infrastructure and experience. But they have to travel a very long mile in improving their technology capabilities, effective working and pricing techniques.
(5) One way to save on costs without compromising on features is by going online, where policy premiums can be half that of offline plans. Not just term covers and motor insurance but also health insurance and ULIP can be brought online.
(6) The business data of the insurance companies must be collected and processed in an orderly manner and made available at regular intervals.

CONCLUSIONS

Growing interest towards insurance among people, innovative products and distribution channels are sustaining the growth of insurance sector in India. Providing insurance cover in a country like India is such a difficult task. This can be achieved through combined and collaborative efforts of the government, private companies and regulators. The insurance sector was opened up to private players in the year 1999 to support the long standing government insurance companies. The foreign equity participation in the insurance sector was increased from 26 per cent to 49 per cent through an amendment which also enforces stringent penalties. The role of intermediaries in the insurance sector is a must and the reward system to them must be sufficient enough in motivating them for acquiring more clients. Insurance companies must focus on both growth and profit for not losing their competitive power. Foreign direct investment in various sectors is unavoidable and to make the wheels of the economy rotate smoothly it has to be lubricated with enough amount of foreign reserves which would help to have a favourable balance of trade.

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