

INSURANCE BUSINESS AND ECONOMIC GROWTH OF INDIA

Asif *

Abstract

The economic growth of India was dominated by socialist –influenced policies, state owner sector, and extensive regulations, collectively known as ‘License Raj’. The Indian economic growth got a boost through its Economic reforms in 1991 and again through its renewal in the 2000. Insurance serves a number of valuable economic functions that are largely distinct from other types of financial intermediaries. Insurance contribution materially to economic growth by improving the investment climate and promoting a more efficient mix of activities than would be undertaken, in the absence of risk management instrument. Insurance sector in India is one of the most booming sectors of the economy and is growing at the rate of 15-20 percent per annum. In India, insurance is a flourishing industry, with several national and international players competing with each others and growing at rapid rates. Indian insurance companies offer a comprehensive range of insurance plans, a range that is growing as the economy matures and the wealth of the middle classes increases. Due to the growing demand for insurance, more and more companies are now emerging in the Indian insurance sector. This study examines the relationship between the insurance and economic growth in India.

Keywords: Economic Growth, Socialist –Influenced Policies, Financial Intermediaries, Booming Sectors.

Introduction

Insurance provides important contribution in the protection, development and progress of society. Insurance also provides various services in view of the economic development. Social and economic significance of insurance may be understood properly under the following headings:

Prevents Disintegration of Family Unit

The family units are the bases of society. These family units collectively form the society .It is essential that the element of unity is present in the family units, so that society may continue or survive lively. If, in case, the head of family is dead untimely, then family is protected through insured economic security. Disintegrated family is a burden on the society. If the members of the disintegrated family adopt wrong paths, then, the society will have to bear the cost and such members of the family may become thieves, smugglers, murderers, etc. Hence, in this way insurance provides a great contribution to the society.

Provides Stable Standard of Living

It is universally and psychologically accepted fact that human beings bear mental apathy if they become habitual to use a number of facilities when they forget about insurance. Social status is linked with the standard of living of an individual and family. It is but natural if there is any downfall in the social reputation an individual or the entire family get surrounded by many other risks apart from life, fire, theft, etc. Losses under any of these risks may be minimized by ensuring all these risks in time before the ordeal actually happens. Insurance company compensates in case of any losses. Therefore, the family members may maintain living standard according to their limits.

* Research Scholar, Department of Economic Administration & Financial Management, University of Rajasthan, Jaipur, Rajasthan.