

Role of the Insurance and Banking Sector in the Indian Economy

Dr. Madhu Sharma

Associated Professor & Head,

Department of Economics

R.S.S. P.G. College, Pilkhuwa, Hapur

Email: dr.madhusharma2@gmail.com

Abstract

In the 21st Century Banking Plays an Important role. It is Simplest From Where Society Recorganizes the Need For Stroing Money and the Need a Safe Place to Store it. This Safe Place Ultimately Evolved into Financial Institutions that accept deposits And Make Loan I,e; the Modern Commercial.

According to the Oxford Dictionary. An establishment for the Custody of Money That Pays for the Customer's Order, (Indian Bank System) consists of an Organized Sector and an Unorganized Sector. Organized Sectors Consist of the Reserve Bank of India, Commercial Bank, and Co-Operate Bank. Commercial bank Counts of Scheduled banks, On-Scheduled banks, State cooperation, the apex body, IDBI, NABARD, Bank, etc.

Keywords

Insurance, banking, IRDA, RBI.

Reference to this paper should be made as follows:

Received: 28.04.2024

Approved: 11.06.2024

Dr. Madhu Sharma

Role of the Insurance and Banking Sector in the Indian Economy

Vol. XV, No.1

Article No.03,

pp. 19-25

Similarity Check: 22%

Online available at

<https://anubooks.com/journal/journal-global-values>

DOI: [https://doi.org/](https://doi.org/10.31995/jgv.2024.v15i01.03)

10.31995/

jgv.2024.v15i01.03

Central Bank governs the Indian banking System is the Reserve Bank of India. The RBI, as The Apex Institution Organize, Supervises, Regular, Develops. The Monetary System, and the Financial system of the Country. The Reserve Bank of India Came into Existence in 1935 & it has been making offers to improve for Economic Development. The Banking system investment is Sector in India has the advantage of being one of the Target Most Stable Global Financial Networks resulting the large Bailouts While most banks lend Primarily to industry Services (to the time of 68%) farm Lending 19% Home mort ages account For more than 50% of personal Lending

Indicators of Banking Strength in India

Between FY 2009-2010 & FY 2012-2013 (dividing the Period of Global recession)

Bank Deposit Grew From 44,928 billion rupees (710 billion USD) to 67,504 billion rupees (1.1 billion USD)

Per Capita Credit raised From 28,431 rupees (450USD), indicating a Strong appetite for bank Credit .

The credit Deposit ratio grew from 74% to Clearly Controlled by RBI.

The Indian bank Ystem was reported a net profit of 1027.51 billion rupees, With almost 11.5% net Profit margin or its turnover of 149 billion rupees for the FY 2012-2013.

Public Sector Bank

The Public Sector Bank Commercial Banking in India Started With the Selling Up of the State Bank of India in 1955 taking over the Imperial Bank of India.

Current Prospects of the Banking Sector

The government has Undertaken Some Major reforms in the Financial Sectors Includes Banking & Insurance Making the FDI Limit is 75% As Inflation Slowed an easy Trend, RBI indicated the Dovish Monetary Policies by reducing the Policy rate by 25 bare Points in March 2015 after a Similar cut in January 2015 this effecting a total cut of so basic points

The Fortune of the Financial Sector including that of banks & Insurance is divided by the Performance Dynamic of the Core economics of Manufacturing Services. The home mortgage Financial Sectors in India. This Sector has witnessed a growth of almost 20% on average between 2009-2010 & 2013-2014 & the govt Budget could Provide Further assistance to the home Building Sectors.

Insurance Sector In India

The First of the Indian Insurance Looks Bright. The Sector Which Stood at the strong US \$72 Billion us 2012 Has the Potential to Grow U\$\$ 280 Billion by 2020. This growth is Deserved by India's Favourable regulatory environment Which Generate Stability & Fair Play. His environment has given rise to the Insurance Sector Which encourages Foreign Sector Investors to tap Into Massive Potential.

Ever Since the Indian Government liberalized the insurance Sectors are 2000. The health of the Insurance Sector reflects the country's economy. Insurance Provided Social Security & Safety to the People in the Country. Developing Countries have large Sections of Society that have Insurance needs. This is a Need to create Funds for environment in various Sectors insurance Keep in the process of Economic Development is more than one way.

- 1) Providing Funds for development because there is a need for invisible funds for developing the process of economic development. Insurance companies collect large sums of Money in the form of Policies. In the case of life Insurance, the claim is Paideither on the death of the Insured on the expiry of the Policy.

Insurance also Helps in International trade. International trade faces a no of sea Peels when goods are sent from one country to another. Insurance provides safety to good.

Safety & Security of Property

The assets & Properties are Insured against core by first theft. Riots, accidents, earthquakes & Other natural calamities. Insurance encourages Saving for the Society. Capital Formation is essential for the economic development of the country. Capital formation is Possible only when People develop the habit of Saving. Insurance Provides one Channel for Savings from regular Insurance Premiums is to be PAID REGULAR Basis, anyone taking up an insurance Policy will have to save money for this purpose.

Availability of Capital, The Insurance Sector has conducted Substantially in Providing to capital to a large number of Industrial Organizations. GIC Has been Providing capital by way of Subscribing to Shares & debentures of Industrial Units.

Government Initiatives

The govt of India Passed the Pension Fund Regulatory & Development Authority (PFRDA) bill that allows foreign investors a 26% Stake in the insurance sector. The Primary observation of the Bill is to Provide Pension cover to a Greater

Percentage of the population. The PFRDA bill would also provide a wide range of investment choices.

The Bill will provide better regulation of the sector and provide more confidence to investors according to Mr. Yogesh Agarwal, Chairman, PFRDA.

To enhance financial sectors, financial in the country & develop banking insurance.

IRDS has facilitated banks to sell insurance policies.

Insurance Premium & economic growth in the world:-

The rapidly globalizing world, changed lives of the individuals in the last century increasing earnings in parallel with this. The rapidly growing world increasing globalization individuals are encouraged to increase their property protection so they get their valuable assets & property insured.

India's rapid rate of economic growth over the past decade has been a development economy the global economy. This growth has its roots in the introduction of economic liberalization in the 1990s which allowed India to export its economic potential & raise the population's standard of living.

The banking insurance sector has a very vital role in the process from inception till today these two sectors have gone through dramatic changes with changing demographics and priorities of the country's people. The challenge of changing the demographics and priorities of country peoples, the challenge of changing regulations & rapid growth of technology have impacted two sectors & changed the way of operation in various manners paving the way for to take feasible actions for this purpose.

Finance & Management. Consists of risk are considered the two most important factors for countries economic growth. I love all stability. The stability of the two sectors associated with the growth of industry trade & commerce.

The insurance sectors India lagged behind in the inspection of the insurance sector was with general insurance products. The two vital components of the sector are LIC (inspection 1956) & (inspection 1973).

Today, there are 28 general insurance companies & 24 GIC insurance companies with 13% life insurance and with 14% non-life insurance. Market share of private insurance in 2014-2015.

Key Feature of Indian Banking Insurance Sectors.

- 1) The Indian Banking System is well structured.
- 2) It has dormancy of public sectors.
- 3) A perfectly regulated framework is applied.

- 4) Huge employment average.
- 5) Great contribution to the Indian economy in the service sector.

According to Insurance Penetration of India i.e. Premium Collected by Indian Insurance were 3.30% of GDP In 2014-2015.

Both Sectors have Young as it has a Large Potential to Capture Single. Indian Still these sectors are maintained on the board Structure & Perfect Regulating body trying with four enthusiasm reach this Goal.

Recent Trends

- 1) Focusing on Innovation to retain and enhance Competitive differentiation.
- 2) Charging Ways of Transaction.
- 3) Business Growth & Customer.

Recent Development in India's Economy

As per the Reserve Bank of India.India's Banking Sectors are Sufficiently Capitated & Well regulated.the Financial & Economic Conditions in the Country are far Superior to any Other Country in the world.Credit Market & Liquidity risk Suggest that the Indian Bank is Generally resilient have Understands the global down term well.

Indian Banking System industry has recently inferred the rollout of innovative banking models like Payments & Small finance banks RBI,s new Measure may go for a long way in helping the restrict the domestic industry.

The Digital Payments in India have evolved the among 25 countries with Indian, with Immediate Payment Services(IMPS)being the only level of the System at level 5 in the Faster Payment Innovation Index (FPII).

Market Size

The Indian Banking system consists of 25 Public Sector banks of Private Sector banks 49 Foreign banks 56 Regional rural banks.In addition is Operative instruction (FY 17 date).In FY07-12,total lending Increased at a car of 10.64%& total deposits increased at a CAGR of 11.66% Indian,s retail credits market is the fourth largest in the Emerging Countries.It Increased to US \$281 Billion in December 2017 From US \$181 Billion in December 2014

Investment,s/Develoment

Key investment & developments in India, 's Banking sector.

As of September 2016, the Govt of India launched India. Post payments & have opened branches across 650 districts to achieve the objective of financial institution inclusion.

The total value of mergers & Acquisitions during to 017 in NBFC diversified financial services & banking was US \$2564 billion US 103 million & US \$79 million respectively.

The biggest merger deal of FY17 was in the microfinance segment of Induslandu Bank Limited & Bharat Financial Inclusion Limited of US \$24 belong.

In May 2018 total equity Funding of the Microfinance Sector grew at the rate of 39.88 to 96.31 Billion in an increase in the total point of terminals(POS)

The number of bank total accounts opened under Pradhan Mantri Jan Dhan Yojana dunden reached 33 million as of November 28, 2018.

Road Ahead

Enhanced spending on infrastructure track structures Speedy implementation of Project & Conservation of Reforms is expected to provide further impetus for growth. All these factors suggest that the Indian banking sector is also passed for Robust growth as the rapidly growing business would them to bank for Their credit needs.

Also, the advancement in technology has brought the mobile & internet banking services to the Fore. The banking sector is lying greateremphases on providing improved services to their clients & also upgrading their technology.

The rising volume of bank fraud is the smallest in the economic development causing financial indiscipline in the country. One big defaulter like Vijay Maliya, Nirav Modi URUPS Thousands of crores which not only adds to sharp increase in the quantum of funds that could have otherwise been used for the economic well-being of thousands of Poor willing to become enter Pressure with bank help & plan to start up a small business.

There is a difference between a willful defaulter and A defaulter due to compulsion without much of his mistake willful defaulter So a criminal to the society as a Whole should be separated.

A loan Can be recovered by inferring more capital In case a business decision has gone. Financial The transaction has been more web-based & electronic exchanges or use of debit & credit Cards.

Demonetization also hits the Indian economy in the Subsequent Years. It declined to 2.1%. The impact of Demonetization has also been felt in the collection of Personal income tax collection. All

The ill ill-formed criticism of the Demonetization is that almost the entire cash moves got Deposit in the Bank. Confiscation of currency was not an Objective of Demonetization melting it into the Formal economy and marking holders pay tax

was the board's Objective increasing of deposit & lending rates may mean a better Transmission of Monetary Policy Modulation in currency in circulation Overall economic efficiency Black Money holder declassing higher income in the current Year this Paying Higher tax could help the government lower its Fiscal deficit. One of the Beneficiaries of the huge inflow of money to banks in November 2016 When Demonetization was carried out. The total first Year Premium collected by Insurance was Rs 16061 Crore Jump of Rs 1131 from a year ago & 45% from the preceding month, according to figures released by the Insurance Regulatory Development . Sandeep Batra executive director, of ICICI Prudential Life Insurance Company Ltd said that demonetization provided a big boost to the Life Insurance Industry. In the first half of FY17 the industry grew by 18.1% which went up 23% in the Second half of this Year.

A comparative analysis of the private in Public Insurance companies Provides a better response, System, Premium, and Private forms are good at product Customization, However public forms are better at accessibility & network.

References

1. Kalyani, publication- banking and insurance.
2. www.innopay.com.
3. Brennan, N., Hourigan, D. (2000). Corporate reporting on the internet by Irish companies. *The Irish Accounting Reviews*. 7. Pg. **37-68**.
4. Bonus, E., Escobar, T. (2006). Physical reporting in Eastern Europe and Imperial study. *Eye journal of accounting information system*. 7(4).
5. Debreceeny, R., Gray, G.I., Rahman, A. (2002). The Determinates of Internet financial reporting. *Journal of Accounting*.