

Secretary DPIIT says increase in FDI limit in Insurance Sector will have positive impact on the Indian Economy

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Secretary, DPIIT, Ministry of Commerce and Industry, Dr. Guruprasad Mohapatra today said that increase in FDI limit from 49% to 74% in Insurance Companies announced in the Union Budget 2021-22 will have positive impact on the Indian economy.

While briefing the media here, he said that under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve. Amendment in the Insurance Act, 1938 will increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.

Speaking about the Benefits of this, Dr. Mahapatra said that it will enable global insurance companies to take more strategic and long-term view on the Insurance sector in India, thereby bringing in greater inflow of long-term capital, global technology, processes, international best practices. He said that the end consumer will also be benefited from it as it will boost competition, enable consolidation and increase insurance penetration, leading to more innovative and affordable products for the end-consumer.

He said that scaling up of insurance operations would lead to significant employment of semi-skilled insurance agents and sales force. And the Strong and vibrant insurance sector will also support long-term investments in infrastructure projects which have long-gestation period. The proposed increase will bring insurance sector at par with the private banking sector where FDI up to 74 % is allowed. Higher FDI limits will enable insurance companies to meet their capital requirements, thereby reducing the burden on Banks, NBFCs to raise capital for insurance companies, he added.

Speaking about the Regional benefits he said that Mumbai (Maharashtra), NCR, Bangalore (Karnataka), Hyderabad (Telangana) having high density of headquarters and offices of insurance providers will also benefit. This will also support emergence of GIFT City, Ahmedabad as India's leading financial/Fintech hub. Existing and emerging metro hubs having higher disposable incomes and financial literacy including Kolkata, Jaipur, Surat, Bhopal, Chandigarh, Patna, Agra etc. also stand to benefit.

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