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DETERMINANTS OF IPOS, RECENT DEVELOPMENTS & GOVERNMENT INITIATIVES IN INDIAN INSURANCE SECTOR: AN ANALYTICAL STUDY

Dr. Sharanappa Kilarahatti
M.Com., Ph.D
Independent Researcher

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ABSTRACT
The study reveals that in recent years, India's insurance sector is growing rapidly, driven by rising premiums, FDI, and technological advancements like AI and RPA. Mergers, foreign investments, issuance of IPOs and digitalization improve efficiency, while government initiatives enhance financial security. Regulatory relaxations and privatization support further expansion, with the market projected to reach $222 billion by 2026. In addition to this, study explores the oversubscription of IPOs in insurance sector significantly depend on the qualified institutional buyers (QIB) and others subscriptions positively. Conversely, age of companies, face value, lead time and employee subscription have statistically negative insignificance impact. Overall model proved to be statistical significance at 5% level. Approximately 99% of the variability accounted in oversubscription. The model satisfies the all the diagnostic tests conditions. Hence, model is found to be good fit.
KEYWORDS: *IPOs, Govt. Initiatives, Insurance, Oversubscription.*

INTRODUCTION

India's Insurance industry is one of the premium sectors experiencing upward growth. This upward growth of the insurance industry can be attributed to growing incomes and increasing awareness in the industry. India is the fifth largest life insurance market in the world's emerging insurance markets, growing at a rate of 32-34% each year. In recent years, the industry has been experiencing fierce competition among its peers which has led to new and innovative products within the industry. Over the past nine years, the insurance sector has attracted substantial foreign direct investment amounting to nearly Rs. 54,000 crore (US$ 6.5 billion), driven by the government's progressive relaxation of overseas capital flow regulations. The insurance industry of India has 57 insurance companies - 24 are in the life insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC Re). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

The insurance industry has undergone numerous transformations in terms of new developments, modified regulations, proposals for amendments and growth in 2022. These developments have opened new avenues of growth for the industry while ensuring that insurers stay relevant with changing times and the latest digital disruptions. The Insurance Regulatory and Development Authority India (IRDA) is vigilant and progressive and is determined to achieve its mission of 'Insurance for all by 2047', with aggressive plans to address the industry's challenges.

The growth of the insurance market is being supported by important government initiatives, strong democratic factors, conducive regulatory environment, increased partnerships, product innovations, and vibrant distribution channels. Insurance Industry was largely dominated by offline channels like corporate agents, offline brokers or banks. Today, rapid digitization, product innovation and progressive regulation policies have made it possible for consumers to buy insurance through multiple distribution channels with the click of a button. The instability of the covid-19 pandemic

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highlighted the necessity for consumers to invest in products that would increase financial security, one of them being life insurance.

OBJECTIVES

1. To know the recent developments and initiatives in Indian Life Insurance Sector;
2. To analyse the determinants of oversubscription of IPOs issued in insurance sector in India.

HYPOTHESIS TESTING

H_{01}: There is no significant impact of firm-specific factors on the oversubscription of IPOs.
H_{02}: There is significant impact of firm-specific factors on the oversubscription of IPOs.

METHODOLOGY

The study relies on secondary data. It examines sample of 9 Indian insurance companies that issued IPOs listed between 2016 to 2024. The data is sourced from the official websites such as irdai.gov.in, sebi.gov.in, nseindia.com, chittorghar.com, and regulatory and development authority of India (IRDA) and Economic Survey etc. Oversubscription of IPOs is treated as the dependent variable, while firm-specific variables namely age of firm, face value, lead time, qualified institutional buyers, employee subscription, and other subscription (policyholders) are taken as explanatory variables. Multiple regression analysis used to pinpoint the factors affecting oversubscription of IPOs. Diagnostic tests are used to validate the regression model. R programme is used to analysis study.

Sample Selection

The study selects a sample of insurance companies based on their market capitalization for comprehensive analysis.

Table No 1: Top IPOs Issued by the Insurance Companies

SI. No	Company Name	Listing Date	Market Cap (in Cr)
1	Life Insurance Corporation of India	25/10/2017	612702.50
2	SBI Life Insurance Company Ltd	17/11/2017	143745.40
3	HDFC Life Insurance Company Ltd	27/09/2017	128454.40
4	ICICI Prudential Life Insurance Company Ltd	29/09/2016	84742.70
5	ICICI Lombard General Insurance Company Ltd	17/05/2022	84037.30
6	General Insurance Corporation of India	23/01/2024	57386.40
7	New India Assurance Company Ltd	13/11/2017	36173.60
8	Star Health & Allied Insurance Company Ltd	03/10/2017	33032.20
9	Medi Assist Healthcare Services Ltd	10/12/2021	3437.40

Source: *NSE, SEBI & Chittorghar.com*

DISCUSSIONS

1. Investments and Recent Developments of Insurance Sector in India

The following are some of the major investments and developments in the Indian insurance sector. They are;

- According to the Life Insurance Council, life insurers recorded a 14% rise in underwriting new business, with premium collections reaching Rs. 35,020 crore (US$ 4.15 billion) in September, up from Rs. 30,716 crore (US$ 3.64 billion) in the same month last year. The new business premium collection for the first half of FY25 grew 19% to Rs. 1,89,214 crore (US$ 22.42 billion) from Rs. 1,58,377 crore (US$ 18.77 billion) in the same period last year.
- In the fiscal year 2023-24, India's non-life insurance sector saw notable growth, driven mainly by health and motor insurance. Health insurance premiums exceeded Rs. 1 trillion (US$ 12.02 billion), reflecting a 20.2% increase, while motor insurance reached Rs. 91,781.3 crore (US$ 11.03 billion), growing by 12.9%.
- In April 2024, CCI has approved Axis Bank Limited's subscription to 14,25,79,161 equity shares of Max Life Insurance Company Limited.
- On January 2024, CCI has approved the merger of Shriram LI Holdings Private Limited (SLIH) with Shriram Life Insurance Company Limited (SLIC).

- As announced in November 2023, Zurich Insurance Group is set to acquire a majority stake in Kotak General Insurance, marking the first major foreign investment in India's insurance sector in eight years. CCI has approved acquisition of 70% stake by Zurich in Kotak Mahindra Company.
- As announced in June 2023, Go Digit Life Insurance, in which both HDFC Bank and Axis Bank have bought stakes, plans to invest Rs. 500-600 crore (US$ 60.3-72.4 million) in the initial 18 months to start out as the country's 26th life insurer.
- As informed in September 2023, the UK and India have agreed to launch a partnership to boost cross-market investment by the insurance and pension sectors.
- In August 2023, Tata AIA launched a ULIP plan with benefits of critical illness cover - Tata AIA Pro Fit.
- India allowed private companies in insurance sector in 2000, setting a limit on FDI to 26%, which was increased to 49% in 2014 and further increased to 74% in the Union Budget (Feb'21).
- The market share of private sector companies in the non-life insurance market rose from 15% in FY04 to 49.3% in FY21.
- Private insurers like HDFC, ICICI and SBI have been some tough competitors for providing life as well as non-life products to the insurance sector in India.
- The IPO of Life Insurance Corporation (LIC) of India was the largest IPO ever in India and the sixth biggest IPO globally of 2022. As of November 2022, listing of LIC accounted for more than a third of resources mobilized in the primary equity market until November 2022.
- Insurance market in India is expected reach US$ 222 billion by 2026.
- Robotic Process Automation (RPA) and AI will occupy center stage in insurance, driven by newer data channels, better data processing capabilities and advancements in AI algorithms.
- Bajaj Allianz Life Insurance, a private life insurer, has entered into a strategic partnership with City Union Bank, one of the oldest private sector banks in India. This partnership will help the private life insurer offer a wide array of life insurance solutions to the bank's existing and future customers, across their 727 branches.
- In October 2022, Policy bazaar's PB Partners launches its mobile app to facilitate the ease of insurance business for its advisors digitize their insurance business.
- Canara HSBC Life Insurance launched its 'Canara HSBC Life Insurance App' on the 75th Independence Day of India. The app, available on android, iOS devices and web portal, offers access to policy details, the option to receive timely alerts, pay the premium, and track fund value, among others.
- ICICI Lombard and Airtel Payments bank have entered into a partnership for providing cyber insurance in February 2022.
- Probus Insurance receives US$ 6.7 million in funding from a Swiss impact fund in December 2021.
- In November 2021, ICICI Lombard collaborated with Vega to provide a personal accident insurance cover with every online Vega helmet purchase to increase road safety awareness among customers.
- In November 2021, ICICI Prudential Life Insurance partnered with NPCI Bharat BillPay, a subsidiary of National Payments Corporation of India (NPCI), to offer ClickPay feature to its customers.
- In November 2021, the Competition Commission of India (CCI) approved HDFC Life Insurance's acquisition of 100% shareholding in Exide Life Insurance. The move is expected to strengthen HDFC Life's position in South India.
- In November 2021, Willis Towers Watson acquired the remaining 51% shares in WTW India, taking the company's holding in WTW India to 100%.
- In November 2021, Acko, a digital insurance start-up, raised US$ 255 million in funds, taking the company's valuation to ~US$ 1.1 billion.
- In September 2021, ZestMoney raised US$ 50 million to enter new business opportunities in the insurance sector.
- In August 2021, PhonePe announced that it has received preliminary approval from IRDAI to act as a broker for life and general insurance products. As a result, the company can now offer insurance advice to its 300+ million users.
- In FY21, LIC achieved a record first-year premium income of Rs. 56,406 crore (US$ 7.75 billion) under individual assurance business with a 10.11% growth over last year.
- In FY23, non-life insurers (comprising general insurers, standalone health insurers and specialized insurers) recorded a 16.4% growth in gross direct premiums. In India, gross premiums written off by non-life insurers reached US$ 31 billion in FY23 and US$ 17.29 billion in FY24 (until September 2023), from US$ 28.14 billion in FY22, driven by strong growth from general insurance companies.

- In August 2021, ICICI Prudential Life Insurance tied up with the National Payments Corporation of India (NPCI) to provide a unified payments interface autopay.

2. Government Initiatives

The Government of India has taken number of initiatives to boost the insurance industry. Some of them are as follows:

- The Interim Budget for 2024-25 aims to enhance value addition in agriculture and boost farmers' income. It plans to increase investment in post-harvest activities, provide financial aid to 11.8 crore farmers also offered crop insurance to 4 crore farmers, and promote self-reliance in oilseeds.
- The Union Budget 2023-24 has proposed to limit the income tax exemption on the proceeds of high value life insurance policies. Mooted as part of an emphasis on better targeting of tax concessions and exemptions, the proposal means that income from life insurance policies with an aggregate premium up to Rs. 5 lakh (US$ 6,075) will be exempt from taxation.
- The government's flagship initiative for crop insurance, Pradhan Mantri Fasal Bima Yojana (PMFBY), has led to significant growth in the premium income for crop insurance.
- Ayushman Bharat (Pradhan Mantri Jan Arogya Yojana) (AB PMJAY) aims at providing a health cover of Rs. 5 lakh (US$ 6,075) per family per year for secondary and tertiary care hospitalization.
- Insurance cover for 44.6 crore persons under PM Suraksha Bima and PM Jeevan Jyoti Yojana was provided during FY23.
- In 2022, the Indian government plans to sell a 7% stake in LIC for Rs. 50,000 crore (US$ 6.62 billion). This is the largest Initial Public Offering (IPO) in India.
- In November 2021, the Indian government signed an agreement with the World Bank for a US$ 40 million project to advance the qualities of health services in Meghalaya, including the state's health insurance program.
- In September 2021, the Union Cabinet approved an investment of Rs. 6,000 crore (US$ 804.71 million) into entities, offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US$ 75.11 billion) over the next five years.
- In August 2021, the Parliament passed the General Insurance Business (Nationalization) Amendment Bill. The bill aims to allow privatization of state-run general insurance companies.
- Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) has announced the issuance, through Digi locker, of digital insurance policies by insurance firms.
- Under the Union Budget 2021, Finance Minister Ms. Nirmala Sitharaman announced that the Initial Public Offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US$ 13.62 billion).
- In June 2021, the government extended a Rs. 50 lakh (US$ 66.85 thousand) insurance coverage scheme for healthcare workers across India until the next one year.
- In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies.
- Under Union Budget 2021, fund of Rs. 16,000 crore (US$ 2.20 billion) has been allocated for crop insurance scheme.

3. Determinants of Oversubscription of IPOs Issued in Insurance Companies

Variance Inflation Factor is a diagnostic tool used to detect multicollinearity in regression analysis. Multicollinearity occurs when predictor variables in a regression model are highly correlated with each other, which can lead to incorrect interpretations of the relationships between variables.

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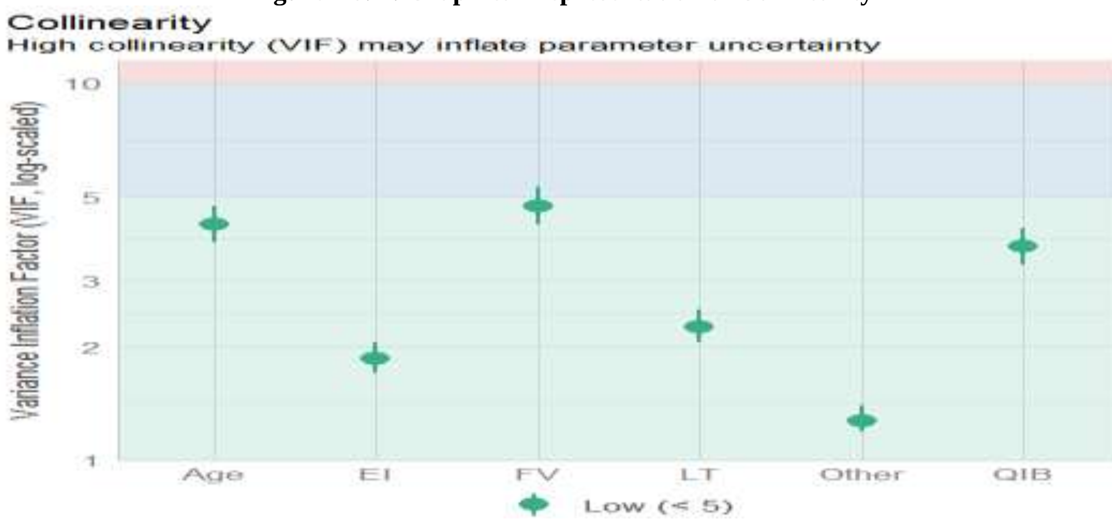
Table No. 2: Variance Inflation Factors (VIF)

Multicollinearity	
Independent Variables	**VIF Values**
Age of Firm	4.220
Face Value	4.730
Lead Time	2.260
Qualified Institutional Buyers (QIB)	3.680
Employee Subscription	1.860
Other Subscription	1.270

Source: *Authors Compilations*

Figure No. 1: Graphical Representation of Collinearity



The above table 2 displays the VIF for multicollinearity among the independent variables. All selected variables exhibit low correlation, with VIF values below 5. Hence, all variable are selected for regression analysis.

Table No. 3: Multiple Regression Analysis

Dependent Variables: Oversubscription of IPOs				
Variables	**Coefficients**	**Std. Error**	**t stat**	**Prob. Value**
Intercept	8.3144	2.9960	2.775	0.1090
Age of Firm	-0.0201	0.0138	-1.458	0.2822
Face Value	-0.5364	0.1714	-3.131	0.0887
Lead Time	-0.3179	0.1595	-1.994	0.1843
QIB	0.3200	0.0307	10.412	0.0091**
Employee Subscription	-0.1039	0.1903	-0.546	0.6399
Others Subscription	0.5439	0.0525	10.352	0.0092**
F stat.	**113.700**			
Prob. Value	**0.0087**			
R-Squared	**0.9971**			
Adjusted R-Squared	**0.9883**			
AIC	**17.466**			
BIC	**19.044**			
RMSE	**0.263**			
Sigma	**0.557**			

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Source: *Authors Compilations*
Note: *AIC is Akaike Information Criterion, BIC is Bayesian Information Criterion and RMSE is Root Mean Square Error.*

The above table 3 depicts the multiple regression analysis. It reveals that qualified institutional buyers and other subscription demonstrate significant positive impact on oversubscription. Conversely, age of companies, face value, lead time and employee subscription. They are statistical negative and insignificant, suggesting their limited impact on oversubscription. The overall model indicates statistical significance as it is evident from the probability value 0.0087 of F-statistic. Moreover, 99.71% of the variability in Oversubscription is accounted for by the independent variables. The Adjusted R-squared 0.9883 provides a refined measure of the model's explanatory power, adjusting for the number of predictors involved.

Figure No. 2: Graphical Representation of Diagnostic Tests

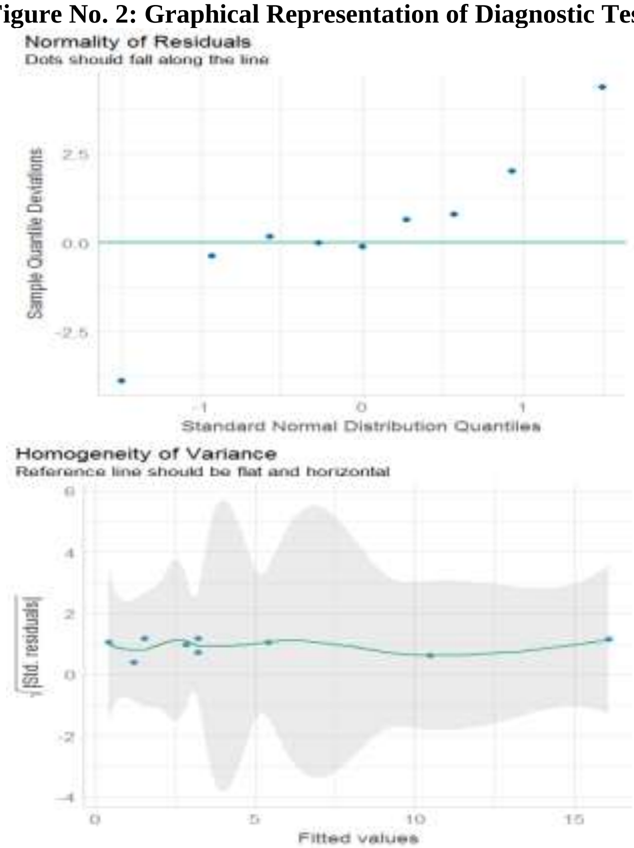

Table No. 4: Diagnostic Tests

Types of Tests	P value
Normality- **Shapiro-Wilk Test**	0.1950
Heteroskedasticity- **Breusch-Pagan Test**	0.6960
Autocorrelation- **Durbin Watson Test**	0.1491

Source: *Authors Compilations*

The above plots and table shows diagnostic tests. The normal probability plot of residuals followed a straight line. Hence, it is normally distributed. It has been displayed that the variability of residual points lies along with value of the fitted outcome variable suggesting constant variance in the residual errors or homoscedasticity. Therefore, with numerical tests of normality, heteroscedasticity and autocorrelation, it is evident that p values 0.1950, 0.6960 and 0.1491 depict there is homoscedasticity, normality and no autocorrelation. Hence, the model sounds good fit.

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CONCLUSION

In nutshell the study concludes that the Indian insurance sector is experiencing robust growth, driven by increasing premium collections, rising FDI, and technological advancements like AI and RPA. Strategic mergers, foreign investments, and digital transformation are enhancing efficiency and market competitiveness. Government initiatives such as Ayushman Bharat, PMFBY, and increased insurance penetration are providing financial security to millions. The relaxation of regulatory norms and privatization efforts are further fueling industry expansion. With the market expected to reach $222 billion by 2026, India's insurance sector is on a strong trajectory of innovation, inclusivity, and sustained economic contribution. Further, study revealed that QIB and others subscription demonstrate significant affect on oversubscription of Insurance (IPOs), suggesting the companies with higher QIB or other subscription, experiencing the higher level of oversubscription. On the contrary, age of company, face value, lead time and employee subscription fail to achieve statistical significance. The overall model indicates statistical significance as it is evident from the prob. value of 0.0087 of F-statistic. Moreover, 99.71% of the variability in oversubscription is accounted for by the independent variables. The Adjusted R-squared, slightly lower at 0.9883, provides a refined measure of the model's explanatory power, adjusting for the number of predictors involved.

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