CHAPTER -1
INTRODUCTION

A service is an activity which has some element of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with the physical product.

Today service industry is a “Sun Rise Sector of the Economy” and thus future belongs to services. The service industry forms the backbone of the world economy. During the last decade, the significance of service industries to the prosperity of modern economies has been widely recognized (Allen, 1988; Charles, 1993; Gronroos, 1990; Johnston, 1988). In the business disciplines, the issue of service management has attracted increasing interest amongst scholars (especially among the Nordic School of Services, Gummesson, 1992).

Service industry had matured in the developed world long before its spread into the developing economies. But there have not been much research studies in the service areas, especially in services marketing. Services’ marketing as compared to goods’ marketing is a relatively young field. In pre-1980’s some research activities started using on the differences between goods and services, defining services characteristics. The late 1980s provided a new direction to services research with the development of scale to service quality. The focus gradually shifted from service quality to customer satisfaction, customer relationship management and customer retention, in the 1990’s.

Services play an important role in any society and are multi-dimensional in nature. Services comprise of many different economic activities. Services are intangible though often part of tangible products, they are non-storable and they demand a simultaneous activity between the service provider and the consumer.

Service sector acts as a base for other sectors and helps in the growth of other sectors which is evident from the following points.
• Efficient services infrastructure like insurance, banking and telecommunication results in the efficient performance of the industry and will bring economic success.

• Access to world-class services helps exporters and producers of developing countries to focus and consolidate on their competitive strength.

• Growth in services promotes employment within the country and opportunities for professional overseas.

• Evidences indicate that liberalization in service sector leads to lowering of prices, better quality and wider choice for consumers.

• As service sector gets liberalized, Foreign Direct Investment (FDI) flows in. Such FDI generally brings with it better human talent, processes and technologies.

A service is the diametrically opposed to non-material counter piece of a physical good. A service provision comprises a sequence of activities that does not result in ownership of the outcome, and this is what fundamentally differentiates it from furnishing someone with physical goods. Service provision is a process that creates predetermined benefits by effectuating a change of service consumers, a change in their physical possessions or a change in their (in) tangible assets.

By composing and orchestrating the appropriate level of resources, skill, ingenuity and experience for effecting specific benefits for service consumers, service providers participate in an economy without the restrictions of carrying stock (inventory) or the need to concern themselves with bulky raw materials. On the other hand, their investment in expertise does require consistent service marketing and upgrading in this phase of competition, which has equally few physical restrictions. Providers of services make up the tertiary sector of the economy.

Services are activities, benefits or various levels of satisfaction, which are offered for sale and provided with the sale of goods. Services are intangible asset possessing the potential to achieve competitive advantage in industry.
Classification of Services:

There is a distinction between service industries and companies, services as products, customer service and derived service. Therefore, services can be divided into four distinct categories.

- **Service Industries and Companies** include those industries and companies typically classified within the service sector whose core product is service. All the following companies can be considered pure service companies: Apollo (health care), Air India (transportation), LIC (Life insurance services).

- **Services as Products** represent a wide range of financial products offerings that customers value and pay for in the marketplace. Service products are sold by service companies and by non service companies such as IBM (technology based companies).

- **Customer Service** is the service provided in support of a company’s core products. Companies typically do not charge for customer service. Customer service can occur on-site or it can occur over the phone or via the internet. Many companies operate customer service call centers, often staffed around the clock.

- **Derived Service** is yet another way to look at what service means. All products and physical goods are valued for the services they provide, for example, a razor provides barbering services; computer provides information and data manipulation services. This is somewhat an abstract view that the value derived from physical good is really the service provided by the good, not the good itself.

Services have some unique characteristics. Various authors have included various characteristics in the ambit of services. Table 1.1 below depicts the characteristics included in services by various authors.
<table>
<thead>
<tr>
<th>Author</th>
<th>Intangibility</th>
<th>Heterogeneity (Non-standardization)</th>
<th>Inseparability of Production &amp; Consumption</th>
<th>Perishability (Cannot be inventoried)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bateson (1977, 1979)</td>
<td></td>
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<tr>
<td>Bell (1981)</td>
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<tr>
<td>Bessom &amp; Jackson (1975)</td>
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<tr>
<td>Booms &amp; Bitner (1981, 1982)</td>
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<tr>
<td>Carmen &amp; Langeard (1980)</td>
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<tr>
<td>Davidson (1978)</td>
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<tr>
<td>Davis, Guiltinan, &amp; Jones</td>
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<td>Donnelly (1976, 1980)</td>
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<tr>
<td>Eiglier &amp; Langeard (1975), Eiglier et al. (1977)</td>
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<td>Fisk (1981)</td>
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<td>George and Barksdale (1974), George (1977)</td>
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<td>Judd (1968)</td>
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<td>Knisley (1979a, 1979b)</td>
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<tr>
<td>Lovelock (1981), Lovelock et al. (1981)</td>
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<tr>
<td>Rathmell (1966, 1974)</td>
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<tr>
<td>Regan (1963)</td>
<td></td>
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<tr>
<td>Sasser (1976), Sasser &amp; Aebbit (1978)</td>
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<tr>
<td>Schissel (1977)</td>
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<tr>
<td>Shostack (1977a, 1977b)</td>
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<tr>
<td>Thomas (1978)</td>
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<tr>
<td>Zeithmal (1981)</td>
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</tbody>
</table>

The fundamental difference universally cited by authors (e.g. Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966, 1974; Shostack 1977a) is intangibility. Because services are performances, rather than objects they cannot be seen, felt, tasted or touched in the same manner in which goods can be sensed. Intangibility, according to Bateson (1979) is the critical goods-services distinction from which all other differences emerge.

Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services. Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simultaneously (Regan 1963). Since the customer must be present during the production of many services (hair-cuts, airplane trips), inseparability “forces the buyer into intimate contact with the production process” (Carmen and Langeard 1980, p.8). Inseparability also means the producer and the seller are the same entity, making only direct distribution possible in most cases. (Upah 1980) and causing marketing and production to be highly interactive (Gronroos 1978).

Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service can vary from producer to producer, from customer to customer, and from day to day. “Many different employees may be in contact with an individual customer, raising a problem of consistency of behavior” (Langeard et. al. 1981, p. 16). “The People’s performance day in and day out fluctuate up and down. The level of consistency that you can count on and try to communicate to the consumer is not a certain thing”. (Knisely 1979a, p.58)

Perishability means that services cannot be saved (Bessom and Jackson 1975, Thomas 1978). Services cannot be stored, it is lost forever when not used. Moreover, the consumer cannot retain the actual services after it is produced. However, the effect of the services can be retained for the long time.

‘Services’ is anything which is exchanges in return for a price in an intangible form. In fact, services are the intangible assets possessing the potential to achieve competitive advantage in an industry. ‘Marketing’ is a process of perceiving, understanding, stimulating and satisfying the needs of specially elected target markets by channelizing an organisation’s resources to meet those needs. Therefore, Marketing of Services can be defined as the process aimed at winning the customers for ever through an efficient services management.
The tremendous growth of service sector due to various reasons resulted in its increased importance to the world economies. Services contribute to the Gross Domestic Product as well as help in generating the foreign exchange.

The service sector is growing rapidly and its growth is facilitating the development of other sectors of the economy. Hence, service sector does not operate in isolation. It has strong linkages with other sectors of economy. Over the years, the service sector of most countries of the world has been crowned as the “engine of growth” because of the rapid growth in comparison to the agricultural and industrial sectors. This spectacular growth of service sector has questioned the traditional definition of services being non-tradable and intangible. It is the development of information technology, and the changing economic environment of many countries, which paved the path for service sector to grow faster than the agricultural and industrial sectors. This trend has its impact on the volume of trade in services. Evidence shows that the growth rate of trade in services is higher than the growth of trade in goods. Recent years have witnessed a remarkable change in the volume and composition of trade in services.

The sustainability of this kind of growth depends on the efficiency of the service suppliers to deliver service to the consumers at a reasonable price world wide because consumers always want cost-effective and timely delivery of the service. The efficiency of service supplier to deliver to the consumer worldwide has been severely limited by both internal constraints and external barriers. Internal constraints are located inside the economy, which largely influence the competitiveness of the service sector in the international market. There are external barriers, which generally imposed by the host country on the service supplier of source country. External barriers are more severe in comparison to domestic constraints. Even though the aim of these barriers is to achieve some public policy objectives like infant industry protection, equity and to safeguard the interests of domestic service suppliers; some of these barriers discourage international competition and hinder the development of various sectors. In case of services, the non-tariff barriers are very much effective because most of the services are unobservable at the cross border. Even after the imposition of these regulatory barriers, the services sector and the volume of trade in services are growing faster than the trade in goods.
World Commercial Service Trade by Region and Selected Country

To a great extent, cross border supply of services is taking place through foreign direct investment (FDI). Over the past one decade, the growth of services has reshaped FDI patterns in a remarkable way. Firstly, the sectoral mix of FDI has shifted towards services. Secondly, the composition of services FDI has also changed, reflecting in particular a surge in flows into activities previously closed to FDI. Table 1.2 indicates the world commercial trade region wise with respect to value and annual percentage change.

Table 1.2: Region-Wise World Commercial Service Trade of Selected Countries (US Dollars in Billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th></th>
<th></th>
<th></th>
<th>Imports</th>
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<td>11</td>
<td>2620</td>
<td>10</td>
<td>19</td>
<td>11</td>
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<tr>
<td>North America</td>
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<td>6</td>
<td>13</td>
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<td>15</td>
<td>9</td>
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<tr>
<td>United States</td>
<td>387</td>
<td>6</td>
<td>14</td>
<td>10</td>
<td>307</td>
<td>7</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>South and Central America-a</td>
<td>77</td>
<td>9</td>
<td>16</td>
<td>18</td>
<td>80</td>
<td>7</td>
<td>14</td>
<td>21</td>
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<tr>
<td>Brazil</td>
<td>18</td>
<td>12</td>
<td>21</td>
<td>28</td>
<td>21</td>
<td>9</td>
<td>12</td>
<td>38</td>
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<td>20</td>
<td>9</td>
<td>1223</td>
<td>10</td>
<td>17</td>
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<td>European Union</td>
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<td>12</td>
<td>19</td>
<td>9</td>
<td>1132</td>
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<td>5</td>
<td>169</td>
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<td>10</td>
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<td>17</td>
<td>10</td>
<td>214</td>
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<td>116</td>
<td>6</td>
<td>108</td>
<td>10</td>
<td>19</td>
<td>8</td>
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<tr>
<td>Italy</td>
<td>100</td>
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<td>18</td>
<td>7</td>
<td>13</td>
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<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Spain</td>
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<td>12</td>
<td>16</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>12</td>
<td>11</td>
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<tr>
<td>Commonwealth of independent States (CIS)</td>
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<td>20</td>
<td>29</td>
<td>20</td>
<td>74</td>
<td>21</td>
<td>28</td>
<td>19</td>
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<tr>
<td>Russian Federation</td>
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<td>26</td>
<td>21</td>
<td>45</td>
<td>18</td>
<td>23</td>
<td>18</td>
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<tr>
<td>Africa</td>
<td>64</td>
<td>13</td>
<td>21</td>
<td>12</td>
<td>80</td>
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<td>21</td>
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<tr>
<td>Egypt</td>
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<td>9</td>
<td>30</td>
<td>3</td>
<td>10</td>
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<tr>
<td>South Africa</td>
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<td>15</td>
<td>14</td>
<td>16</td>
<td>28</td>
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<td>Middle East</td>
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<td>14</td>
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<td>Israel</td>
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<td>10</td>
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<td>15</td>
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<td>Asia</td>
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<td>27</td>
<td>14</td>
<td>666</td>
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<td>12</td>
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<td>Japan</td>
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<td>25</td>
<td>14</td>
<td>143</td>
<td>4</td>
<td>21</td>
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<tr>
<td>China</td>
<td>87</td>
<td>---</td>
<td>34</td>
<td>19</td>
<td>100</td>
<td>---</td>
<td>31</td>
<td>16</td>
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<tr>
<td>India</td>
<td>73</td>
<td>---</td>
<td>---</td>
<td>34</td>
<td>70</td>
<td>---</td>
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<td>40</td>
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<tr>
<td>Four East Asian Traders –b</td>
<td>208</td>
<td>10</td>
<td>22</td>
<td>9</td>
<td>197</td>
<td>10</td>
<td>23</td>
<td>10</td>
</tr>
</tbody>
</table>

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a- includes the Caribbean. For composition of groups see the Technical Notes of WTO, International Trade Statistics, 2006
b- Chinese, Taipei, Hong Kong, China, Republic of Korea and Singapore
Note: While provisional full year data were available in early March for 33 countries accounting for more than 60 percent of world commercial services trade, estimates for most other countries are based on data for the first three quarters (the first six months in the case of China)
Table 1.2 indicates that during 2006, the world exports of commercial services were $2710 billion while world imports of commercial services were $2620 billion. During the same period, India’s commercial services exports were $73 billion dollars whereas her commercial services imports were $70 billion in 2006.

**Service Industry in India**

The service sector currently accounts for more than half of the country’s GDP and is expanding at an annual growth rate of percent. In fact, the growth in India’s GDP, despite of global melt-down, is attributed largely to the strong performance of the service sector. The service sector now accounts for more than half of India’s GDP: 53.3 per cent in 2006. The rise in the service sector’s share in GDP marks a structural shift in the Indian economy and takes it closer to the fundamentals of a developed economy.

<table>
<thead>
<tr>
<th>Year</th>
<th>Services (Percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>39.3</td>
</tr>
<tr>
<td>1977</td>
<td>38.1</td>
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<tr>
<td>1978</td>
<td>38.7</td>
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<td>1979</td>
<td>39.8</td>
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<tr>
<td>1980</td>
<td>38.6</td>
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<tr>
<td>1981</td>
<td>39.1</td>
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<tr>
<td>1982</td>
<td>40.1</td>
</tr>
<tr>
<td>1983</td>
<td>39.1</td>
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<tr>
<td>1984</td>
<td>40.2</td>
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<tr>
<td>1985</td>
<td>41.3</td>
</tr>
<tr>
<td>1986</td>
<td>42.4</td>
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<tr>
<td>1987</td>
<td>42.7</td>
</tr>
<tr>
<td>1988</td>
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<td>42.0</td>
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<td>1991</td>
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<td>1993</td>
<td>44.1</td>
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<td>1994</td>
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<td>1995</td>
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<td>1999</td>
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<td>2000</td>
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<td>2001</td>
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<td>2002</td>
<td>52.6</td>
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<tr>
<td>2003</td>
<td>52.5</td>
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<tr>
<td>2004</td>
<td>53.2</td>
</tr>
<tr>
<td>2005</td>
<td>54.1</td>
</tr>
<tr>
<td>2006 (expected figures)</td>
<td>53.3</td>
</tr>
</tbody>
</table>

Before opening up of the Indian economy, major share of GDP comes from the agriculture and industry. In developed countries, major share of GDP forms from the service sector. Table 1.3 shows that till year 1999, the share of service sector is less 50% in GDP but from year 2000 onwards, there is continuous increase in the share of service sector. This shows that India is developing developed country.

**Growth of Service Sector in India**

Service sector in India today accounts for more than half of India's GDP. According to data for the financial year 2006-2007, the share of services, industry, and agriculture in India's GDP is 55.1 per cent, 26.4 per cent, and 18.5 per cent respectively. The fact that the service sector now accounts for more than half the GDP marks a watershed in the evolution of the Indian economy and takes it closer to the fundamentals of a developed economy. Table 1.4 shows the growth of service sector in India from the period of 2001-02 to period 2005-06.

**Table 1.4: Growth of Service Sector in India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade, hotel, transport and communication</th>
<th>Financing, insurance, real estate</th>
<th>Community, social and personal services</th>
<th>Total services GDP</th>
<th>Total GDP at factor cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>9.2</td>
<td>7.3</td>
<td>3.9</td>
<td>7.1</td>
<td>5.8</td>
</tr>
<tr>
<td>2002-03</td>
<td>9.1</td>
<td>8.0</td>
<td>3.8</td>
<td>7.3</td>
<td>3.8</td>
</tr>
<tr>
<td>2003-04</td>
<td>12.0</td>
<td>4.5</td>
<td>5.4</td>
<td>8.2</td>
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<td>2004-05</td>
<td>10.6</td>
<td>9.2</td>
<td>9.2</td>
<td>9.9</td>
<td>7.5</td>
</tr>
<tr>
<td>2005-06</td>
<td>11.5</td>
<td>9.7</td>
<td>7.8</td>
<td>10.0</td>
<td>8.4</td>
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</table>


From table 1.4 shows that in 2001-06, the maximum growth occurs in trade, hotel, transport and communication. In trade, hotel, transport and communication, 9.2% growth was recorded in 2001-02, 9.1% in 2002-03, 12.0% in 2003-04, 10.6% in 2004-05 and last 11.5% in 2005-06. In financing, insurance and real estate sector, 7.3 % growth was recorded in 2001-02, 8.0% in 2002-03, 4.5% in 2003-04, 9.2% in 2004-05 and 7.8% in 2005-06. In community, social and personal services sector, the growth was 3.9% in 2001-02, 3.8% in 2002-03, 5.4 % in 2003-04, 9.2% in 2004-05 and 7.8% in 2005-06.
Contribution of Service Industry in the Economic Growth of India

The Indian Services sector is one of the most significant sectors of the Indian economy contributing nearly 55 per cent of the GDP in 2006-07. The sector has come to play an increasingly dominant role in the economy accounting for 68.6 per cent of the overall average growth in GDP in the last five years between 2002-03 and 2006-07.

While the Indian economy grew at the rate of 9.4 per cent in 2006-07 against 9 per cent in 2005-06, services grew at an impressive rate of 11 per cent in 2006-07 against 9.8 per cent in 2005-06. The services sector continued to record double-digit growth in the current fiscal with a growth rate of 10.6 per cent during the first quarter of the current fiscal year.

- Trade, hotels, transport and communication grew by a robust growth rate of 12 per cent.
- Financial services (comprising banking, insurance, real estate and business services) grew by 11 per cent as against 10.8 per cent.
- Community, social and personal services grew at the rate of 7.6 per cent.

Insurance is one of the most fast growing service sector and contributing a substantial growth of the Indian economy.

1.1 World Trade Organisation (WTO)

The World Trade Organisation was established on January 1, 1995. The WTO is the embodiment of the Uruguay Round results and the successor to GATT. Seventy-six Governments became members of the WTO on its first day. As on 23 July 2008, there are 153 members of the WTO and 32 countries have an observer status. The WTO is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

The WTO is based in Geneva, Switzerland. Its essential functions are:

- Administering and implementing the multilateral and plurilateral trade agreements, which together make up the WTO;
• Acting as a forum for multilateral trade negotiations;
• Seeking to resolve trade disputes;
• Overseeing national trade policies;
• Technical assistance and training for developing countries
• Cooperating with other international institutions involved in global policy-making.

Working of the WTO is based on the following principles

The trading system should be

• **Without discrimination** – a country should not discriminate between its trading partners (giving them equally ‘Most Favoured Nation’ or MFN status) and it should not discriminate between its own and foreign products, services or nationals (giving them national treatment).
• **Freer** – Barriers coming down through negotiations.
• **Predictable** - Foreign companies, investors and governments should be confident that trade barriers (including tariffs and non-tariffs barriers) should not be raised arbitrarily; tariff rates and market opening commitments are ‘bound’ in the WTO.
• **More competitive** - Discouraging ‘unfair’ practices such as export subsidies and dumping products at below cost to gain market share.
• **More beneficial for less developed countries** – giving them more time to adjust, greater flexibility and special privileges.

As per the provisions of WTO, Governmental controls on agriculture and services are perceptibly higher, compared to those in the goods sector in most countries. It was, therefore, more difficult to negotiate market access in these areas. Uruguay Round also brought under the ambit of negotiations for the first time new issues such as trade related intellectual property rights (TRIPs) and trade-related investment measures (TRIMs). Here too, the issues are too complex and divergence in national practices too great for all issues to be finally settled.

Many of the other agreements negotiated also provided for a mandatory review procedure. In all, the mandatory review procedure comprised the following:
(i) Operation of trade policy review mechanism
(ii) Notification procedure
(iii) Implementation and operation of the Agreement on Customs Valuation
(iv) Implementation and operation of the Agreement on Import Licensing Procedures
(v) Implementation and operation of the Agreement on Subsidies and Countervailing Measures
(vi) Implementation and operation of the Agreement on Anti-dumping practices
(vii) Implementation and operation of the Agreement on Technical Barriers to Trade
(viii) Technical aspects of the Agreement on Rule of Origin
(ix) Pre-shipment inspection
(x) Sanitary and Phyto-sanitary measures
(xi) Dispute settlement rules and procedures
(xii) Trade related Investment Measures (TRIMS)
(xiii) Trade related Intellectual Property Rights (TRIPS)
(xiv) General Agreement on Trade in Services (GATS)
(xv) Textiles
(xvi) Agriculture
(xvii) Air transport

**General Agreement on Trade in Services (GATS)**

General Agreement on Trade in Services (GATS), which entered into force on January 1, 1995, is a set of binding rules and disciplines to promote orderly and transparent trade and investment liberalization in services. The signing of GATS has been an innovative attempt at constructing a realistic framework for liberalization of trade in services.

GATS has defined services as occurring through four possible modes of supply:-
**External Liberalisation:**

**Mode 1:** Cross-border supply, whereby consumer or financial institutions in one country are allowed to purchase life insurance from a company located abroad supplying the service across the border.

**Mode 2:** Consumption abroad, in which a country allows its consumer to purchase life insurance abroad from a foreign supplier.

**Internal Liberalisation**

**Mode 3:** Commercial Presence, whereby a country allows the establishment of life insurance business in its territory.

**Mode 4:** Movement of Persons, which applies to commitments made on personnel movement related to financial transactions

For a detailed discussion about GATS, a separate chapter i.e. chapter 6 titled, General Agreement on Trade in Services (GATS) -An overview, has been devoted.

**1.2 INSURANCE: THE CONCEPT**

Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium, and can be thought of as a guaranteed small loss to prevent a large, possibly devastating loss. An insurer is a company selling the insurance; an insured is the person or entity buying the insurance. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

Thus, insurance is defined as a cooperative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against the risk. Risk is uncertainty of a financial loss. It should not be confused with the chance of loss which is the probable number exposures.
Every risk involves the loss of one or other kind. The function of insurance is to spread the loss over a large number of persons who are agreed to co-operate each other at the time of loss. The risk cannot be averted but loss occurring due to a certain risk can be distributed amongst the agreed persons. They are agreed to share the loss because the chances of loss, i.e. the time, amount, to a person are not known. Anybody of them may suffer loss to a given risk, so, the rest of the persons who are agreed will share the loss. The larger the number of such persons, the easier the process of distribution of loss. In fact, the loss is shared by them by payment of premium which is calculated on probability of loss. In olden times, the contribution by the persons was made at the time of loss. The insurance is also defined as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person insured against the risk.

Evolution of Insurance

The origin of insurance is lost in antiquity. The earliest traces insurance in the ancient world are found in the form of marine trade loans or carriers' contracts which included an element of insurance. Evidence is on record that arrangements embodying the idea of insurance were made in Babylonia and India at quite an early period. In Rig-veda, the most sacred book of India, references were made to the concept 'Yogakshema' more or less akin to the well-being and security of the people. The codes of Manu had recognized the advisability of provision for sharing the future losses. However, there is no evidence that insurance in its present form was practiced prior to the twelfth century.

1. Marine Insurance

The marine insurance is the oldest form of insurance. Under Bottomry bond, the 'system of credit and the law of interest were well-developed and were based on a clear appreciation of the hazard involved and the means of safeguarding against it. If the ship was lost, the loan and interest were forfeited. The contract of insurance was made a part of the contract of carriage, and Manu shows that Indians had even anticipated the doctrine of average and contribution. Freight was fixed according to season and was expected to be reasonable in the case of marine transport which was then very much at the mercy of winds and elements.
Travelers by sea and land were very much at risk of losing their vessels and merchandise because the piracy on the open seas and highway robbery of caravans were very common. Besides there were several risks. Many times, it might have been captured by the king's, enemies or robbed by pirates or got sunk in the deep waters. The risk to owners of such ships were enormous and, therefore, to safeguard them the marine traders devised a method of spreading over them the financial loss which could not be conveniently borne by the unfortunate individual victims. The co-operative device was quite voluntary in the beginning, but now in modern it has been converted into modified shape of premium.

2. Fire Insurance
After marine insurance, fire insurance developed in present form. It had been observed in Anglo-Section Guild form for the first time where the victims of fire hazards were given personal assistance by providing necessaries of life. It had been originated in Germany in the beginning of sixteenth century. The fire insurance got momentum in England after the great fire in 1666 when the fire losses were tremendous. About 85 per cent of the houses were burnt to ashes and property worth of sterling ten crores were completely burnt off. Fire Insurance Office was established in 1681 in England. With colonial development of England, the fire insurance spread all over the world in present form. "Sun Fire Office" was successful fire insurance institution.

In India, the general insurer started working since 1850 with the establishment of the Triton Insurance, Calcutta. Again in 1861, the North British and Mercantile catered the requirements of insurance business. The general insurance in India could not progress much. The slow growth of joint-stock enterprise and mechanized production was another reason for the low level of general insurance business.

3. Life Insurance
Life insurance made its first appearance in England in 16th century, the first recorded evidence in England being the policy on life of William Gybbons on June 18, 1653. Even before this date annuities had become quite common in England, and marine insurance had, in fact, made its appearance three thousand years ago.
The life insurance developed at 'Exchange Alley'. The first registered life office in England was the Hand-in-Hand Society established in 1696. The famous 'Amicable Society for a Perpetual Assurance Office started its operation since 1706. Life insurance did not prosper in the United State’s during the 18th century, because of serious fluctuations in death-rate, but soon after 1800 some active interest began to be shown in this enterprise because of the application of level premium plan which had by then been in operation in U.K. for more than a generation. In India, some Europeans started the first life insurance company in Bengal Presidency, viz., the Orient Life Assurance Company in 1818. The year 1870 was a year of a landmark in the history of Indian Insurance separating the early period of pioneering attempts at life insurance from the subsequent period of steady development at the establishment of Indian Life Office, viz., Bombay, Mutual Life Assurance Society in 1871. The next important life office was Oriental Government Security Life Assurance Co., Ltd., which started its operation since 1874. Since then several offices developed in India.

4. Miscellaneous Insurance

The miscellaneous insurance took the present shape at the later part of nineteenth century with the industrial revolution in England. Accident insurance, fidelity insurance, liability insurance and theft insurance were the important form of insurance at that time. Lloyds's Association was the main functioning institution. Now, insurances such as cattle insurance, crop insurance, profit insurance, etc., are taking place. The scope of general insurance is increasing with the advancement of the society.

Kinds of Insurance

The insurance can be divided from two angles: first, from the business point of view and the second, from the risk point of view.

A Business Point of View

The insurance can be classified into three categories from business point of view: (i) Life Insurance, (ii) General Insurance, and (iii) Social Insurance.
(i) **Life Insurance**

Life Insurance is different from other insurance in the sense that, here, the subject matter of insurance is life of human being. The insurer will pay the fixed amount of insurance at the time of death or at the expiry of certain period. At present, life insurance enjoys maximum scope because the life is the most important property of the society or an individual. Each and every person requires the insurance. This insurance provides protection to the family at the premature death or gives adequate amount at the old age when earning capacities are reduced. Under personal insurance a payment is made at the accident. The insurance is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the death or at the expiry of a period. The business of life insurance is wholly done by the Life Insurance Corporation of India.

(ii) **General Insurance**

The general insurance includes property insurance, liability insurance and other forms of insurance. Fire and marine insurances are strictly called property insurance. Motor, theft, fidelity and machine insurances include the extent of liability insurance to a certain extent. The strictest form of liability insurance is fidelity insurance, whereby the insurer compensates the loss to the insured when he is under the liability of payment to the third party.

(iii) **Social Insurance**

The social insurance is to provide protection to the weaker section of the society who are unable to pay the premium for adequate insurance. Pension plans, disability benefits, unemployment benefits, sickness insurance and industrial insurance are the various forms of social insurance. With the increase of the socialistic ideas, the social insurance is an obligatory duty of the nation. The Government of a country must provide social insurance to its masses.

**B  Risk Point of View**

Insurance is divided into property liability and other form from high point of view.

1. **Property Insurance:** Under the property insurance property of a person/persons are insured against a certain specified risk. The risk may be fire or marine perils, theft of property or goods, damage to property at accident.
(i) **Marine Insurance.** Marine insurance provides protection against loss of marine perils. The marine perils are collision with rock, or ship attacks by enemies, fire, and capture by pirates, etc. These perils cause damage, destruction or disappearance of the ship and cargo and non-payment of freight. So, marine insurance insures ship (Hull), cargo and freight. Previously only certain nominal risks were insured but now the scope of marine insurance had been divided into two parts: (i) Ocean Marine Insurance and (ii) Inland Marine Insurance. The former insures only the marine perils while the latter covers inland peril which may arise with the delivery of cargo (goods) from the go down of the insured and may extend up to the receipt of the cargo by the buyer (importer) at his go down.

(ii) **Fire Insurance.** Fire insurance covers risks of fire. In the absence of fire insurance, the fire waste will increase not only to the individual but to the society as well. With the help of fire insurance, the losses, arising due to fire are compensated and the society is not losing much. The individual is protected from such losses and his property or business or industry will remain approximately in the same position in which it was before the loss. The fire insurance does not protect only losses but it provides certain consequential losses also. War risk, turmoil, riots, etc., can be insured under this insurance, too.

(iii) **Miscellaneous Insurance.** The Property, goods, machine, furniture, automobile, valuable articles, etc., can be insured against "the damage or destruction due to accident or disappearance due to theft. There are different forms of insurances for each type of the said property where by not only property insurance exists but liability insurance and personal injuries are also insured.

2. **Liability Insurance**

The general insurance also includes liability insurance whereby the insured is liable to pay the damage of property or to compensate the less of personal insurance or death. This insurance is seen in the form of fidelity insurance, automobile insurance and machine insurance, etc.
3. Other Forms

Besides the property and liability insurances, there are certain other insurances which are included under general insurance. The examples of such insurances are export-credit insurances, State employees insurance, etc., whereby the insurer guarantees to pay certain amount at the certain events. This insurance is extending rapidly these days.

i) Personal Insurance

The personal insurance includes insurance of human life which may suffer loss due to death, accident and disease. Therefore, the personal insurance is further sub-classified into life insurance, personal accident insurance and health insurance.

ii) Property Insurance

The property of an individual and of the society is insured against the loss of fire and marine perils, the crop is insured against unexpected decline in production, unexpected death of the animals engaged in business, break-down of machines and theft of the property and goods.

iii) Liability Insurance

The liability insurance covers the risks of third party, compensation to employees, liability of the automobile owners and reinsurance.

iv) Guarantee Insurance

The guarantee insurance covers the loss arising due to dishonesty, disappearance and disloyalty of the employers or second party. The party must be a party of the contract. His failure causes loss to the first party. For example, in export insurance the insurance will compensate the loss at the failure of the importers pay the amount of debt.

DEFINITION OF INSURANCE: The definition of insurance can be made from two points: (i) Functional Definition and, (ii) Contractual Definition.

Functional Definition

Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons, who are exposed to it and who agree to insure themselves against the risk. Thus, the insurance is (a) a co-operative device to spread the risk; (b)
the system to spread the risk over a number of persons who are insured giants then risk; (c) the principle to share the loss of each member of the society on the basis of probability of loss to their risk; and (d) the method to provide security against losses to the, insured.

Similarly another definition can be given. Insurance is a co-operative device of distributing losses, falling on an individual or his family over a large number of persons, each bearing a nominal expenditure and feeling secure against heavy loss.

**Contractual Definition**

Insurance has been defined to be that in which a sum of money as a premium is paid in consideration of the insurer's incurring the risk of paying a large sum upon a given contingency. The insurance, thus, is a contract whereby (a) certain sum, called premium, is charged in consideration; (b) against the said consideration, a large sum is guaranteed to be paid by the insurer who received the premium, (c) the payment will be made in a certain definite sum, i.e., the loss or the policy amount whichever may be, and (d) the payment is made only upon a contingency. More specific definition can be given as follows-Insurance may be defined as a consisting one party (the insurer) agrees to pay to the other party (the insured) or his beneficiary, a certain sum upon a contingency (the risk) against which insurance is sought.

**Functions of Insurance**

The functions of insurance can be studied into two parts (i) Primary Function and (ii) Secondary Functions.

**Primary Functions**

(i) **Insurance provides certainty**. Insurance provides certainty of payment at the uncertainty of loss. The uncertainty of loss can be used by better planning and administration. But, the insurance relieves the person from such difficult task. Moreover, if the subject matters are not adequate, the self-provision may prove costlier. There are different types of uncertainty in a risk. The risk will occur or not, when will occur, how much loss will be there? In other words, there are uncertainty of happening of time and amount of loss. Insurance removes all these uncertainty and the assured is given certainty of payment of loss. The insurer charges premium for
providing the said certainty.

(ii) **Insurance provides protection.** The main function of the insurance is to provide protection against the probable chances of loss. The time and amount of loss are uncertain and at the happening of risk, the person will suffer loss in absence of insurance. The insurance guarantees the payment of loss and thus protects the assured from sufferings. The insurance cannot check the happening of risk but can provide for losses at the happening of the risk.

(iii) **Risk-sharing.** The risk is uncertain, and therefore, the loss arising from the risk is also uncertain. When risk takes place, the loss is shared by all the persons who are exposed to the risk. The risk-sharing in ancient time was done only at time of damage or death; but today, on the basis of probability of risk, the share is obtained from each and every insured in the shape of premium with: out which protection is not guaranteed by the insurer.

**Secondary Functions**

Besides the above primary functions, the insurance works for the following functions:

(i) **Prevention of loss.** The insurance joins hands with those institutions which are engaged in preventing the losses of the society because the reduction in loss causes lesser payment to the assured and so more saving is possible which will assist in reducing the premium. Lesser premium invites more business and more business causes lesser, share to the assured. So again premium is reduced to, which will still stimulate more business and more protection to the masses. Therefore the insurance assist financially to the health organization, fire brigade educational institutions and other organizations which are engaged in preventing the losses of the masses from death or damage.

(ii) **It provides capital.** The insurance provides capital to the society. The accumulated funds are invested in productive channel. The dearth of capital of the society is minimized to a greater extent with the help of investment of insurance. The industry, the business and the individual are benefited by the investment and loans of the insurers.

(iii) **It improves efficiency.** The insurance eliminates worries and miseries of losses at death and destruction of property. The carefree person can devote his body and soul together for better achievement. It improves not only his
efficiency, but the efficiencies of the masses are also advanced.

(iv) **It helps economic progress.** The insurance by protecting the society from huge losses of damage, destruction and death, provides an initiative to work hard for the betterment of the masses. The next factor of economic progress, the capital, is also immensely provided by the masses. The property, the valuable assets, the man, the machine and the society cannot lose much at the disaster.

**Nature of Insurance**
The insurance has the following characteristics which are, generally, observed in case of life, marine, fire and general insurances.

1. **Sharing of risk**
Insurance is a device to share the financial losses which might befall on an individual or his family on the happening of a specified event. The event may be death of a bread-winner to the family in the case of life insurance, marine-perils in marine insurance, fire in fire insurance and other certain events in general insurance, e.g., theft in burglary insurance, accident in motor insurance, etc. The loss arising from these events if insured are shared by all the insured in the form of premium.

2. **Co-operative device**
The most important feature of every insurance plan is the cooperation of large number of persons who, in effect, agree to share the financial loss arising due to a particular risk which is insured. Such a group of persons may be brought together voluntarily or through publicity or through solicitation of the agents. An insurer would be unable to compensate all the losses from his own capital. So, by insuring or underwriting a large number of persons, he is able to pay the amount of loss. Like all co-operative devices, there is no compulsion here on anybody to purchase the insurance policy.

3. **Value of risk**
The risk is evaluated before insuring to charge the amount of share of an insured, herein called, consideration or premium. There are several methods of evaluation of risks. If there is expectation of more loss, higher premium may be charged. So, the probability of loss is calculated at the time of insurance.
4. Payment at contingency
The payment is made at a certain contingency insured. If the contingency occurs, payment is made. Since the life insurance contract is a contract of certainty, because the contingency, the death or the expiry of term, will certainly occur, the payment is certain.

In other insurance contracts, the contingency is the fire or the marine perils etc., mayor may not occur. So, if the contingency occurs, payment is made, otherwise no amount is given to the policy-holder. Similarly, in certain types of life policies, payment is not certain due to uncertainty of a particular contingency within a particular period. For example, in term-insurance the payment is made only when death of the assured occurs within the specified term, may be one or two years. Similarly, in Pure Endowment payment is made only at the survival of the insured at the expiry of the period.

5. Amount of payment
The amount of payment depends upon the value of loss occurred due to the particular insured risk provided insurance is there up to that amount. In life insurance, the purpose is not to make good the financial loss suffered. The insurer promises to pay a fixed sum on the happening of an event. If the event or the contingency takes place, the payment does fall due if the policy is valid and in force at the time of the event, like property insurance, the dependents will not be required to prove the occurring of loss and the amount of loss. It is immaterial in life insurance what was the amount of loss at the time of contingency. But in the property and general insurances, the insurance the amount of loss as well as the happening of loss, are required to be proved.

6. Large Number of Insured Persons
To spread the loss immediately, smoothly and cheaply, large number of persons should be insured. The co-operation of a small number of persons may also be insurance but it will be limited to smaller area. The cost of insurance to each member may be higher. So, it may be unmarketable. Therefore, to make the insurance cheaper, it is essential to insure large number of persons or property because the lesser would be cost of insurance and so, the lower would be premium. In past years, tariff associations or mutual fire insurance associations were found to share the loss at cheaper rate. In order to function successfully, the
insurance should be joined by a large number of persons.

7. **Insurance is not a gambling**

The insurance serves indirectly to increase the productivity of the community by eliminating worry and increasing initiative. The uncertainty is changed into certainty by insuring property and life because the insurer promises to pay a definite sum at damage or death. From a family and business point of view, all lives possess an economic value which may at any time be snuffed out by death, and it is removable to ensure against the loss of this value as it is to protect against the loss of property. In the absence of insurance, the property owners could at best practice only some form of self-insurance, which may not give him absolute certainty. Similarly, in absence of life insurance, saving requires time; but death may occur at any time and the property, and family may remain unprotected.

Thus, the family is protected against losses on death and damage with the help of Insurance. From the company's point of view, the life insurance is essentially non-speculative, in fact, no other business operates with greater certainties. From the insured point of view, too, insurance is also the antithesis of gambling. Nothing is more uncertain than life and life insurance offers the only sure method of changing that uncertainty into certainty. Failure of insurance amounts gambling because the uncertainty of loss is always looming. In fact, the insurance is just the opposite of gambling. In gambling, by bidding the person exposes himself to risk of losing, in the insurance; the insured is always opposed to risk, and will suffer loss if he is not insured. By getting insured his life and property, he protects himself against the risk of loss. In fact, if he does not get his property or life insured he is gambling with his life on property.

8. **Insurance is not Charity**

Charity is given without consideration but insurance is not possible without premium. It provides security and safety to an individual and to the society although it is a kind of business because in consideration of premium it guarantees the payment of loss. It is a profession because it provides adequate Enounces at the time of disasters only by charging a nominal premium for the service.
**Principles of Insurance**

The insurance is based upon (i) Principles of Co-operation, and (ii) Principles of Probability.

(i) **Principal of Cooperation:** Insurance is a co-operative device. If one person is providing for his own losses, it cannot be strictly insurance because in insurance, the loss is shared by a group of persons who are willing to co-operate. In ancient period, the persons of a group were willingly sharing the loss to a member of the group. They used to share the loss to member of the group. They used to share the loss at the time of damage. They collected enough funds from the society and paid to the dependents of the deceased or the persons suffering property losses. The mutual co-operation was prevailing from the very beginning up to the era of Christ in most of the countries. Lately, the co-operation took another form where it was agreed between the individual or the society to pay a certain sum in advance to be a member of the society. The society by accumulating the funds, guarantees payment of certain amount at the time of loss to any member of the society. The accumulation of funds and charging of the share from the member in advance became the job of one institution called insurer. Now it became the duty and responsibility of the insurer to obtain adequate funds from the members of the society to pay them at the happening of the insured risk. Thus, the shares of loss took the form of premium. Today, all the insured give a premium to join the scheme of insurance. Thus, the insured are co-operating to share the loss of an individual by payment of a premium in advance.

(ii) **Theory of Probability:** The loss in the shape of premium can be distributed only on the basis of theory of probability. The chances of loss are estimated in advance to affix the amount of premium. Since the degree of loss depends upon various factors, the affecting factors are analyzed before determining the account of loss. With the help of this principle, the uncertainty of loss is converted into certainty. The insurance will have not to suffer loss as well have to gain windfall. Therefore, the insurer has to charge only so many amounts which are adequate to meet the losses. The probability tells what the chances of losses are and what will be the amount of losses.

The inertia of large number is applied while calculating the probability. The
larger the number of exposed persons, the better and the more practical would be the findings of the probability. Therefore, the law of large number is applied in the principle of probability. In each and every field of insurance the law of large number is essential. These principles keep in account that the past events will incur in the same inertia. The insurance, on the basis of past experience, present conditions and future prospects, fixes the amount of premium. Without premium, no co-operation is possible and the premium cannot be calculated without the help of theory of probability, and consequently no insurance is possible these two principles are the two main legs of insurance.

**Insurance Marketing**

'Market' word refers to the demand-supply situation for a product or commodity. However, in insurance the term refers to aggregate of consumers, both existing and potential. The market may be the same or different for different products. India is a big market for insurance. The expanding market demands a large agency force. While estimating the potential of the Indian insurance market, we often tempt to look at it from the perspective of macro-economic variables such as ratio of premium to GDP, which is relatively low.

Insurance is an intangible product. It is nothing but a promise to pay in the event of loss caused by an insured peril. The basics of an insurance marketing are to increase the impact of an insurance company’s business as much as possible. Life insurance markets life, pension, ULIP and annuity plans. Insurance marketing needs building and implementing reliable systems that generate maximum long term retention and maximum revenue per client.

Life Insurance is a contract for payment of a sum of money to the person assured (or the beneficiary/nominee as the case may be) on the happening of the event insured against. Usually, the insurance contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at unfortunate death if it occurs earlier. Obviously, there is a price to be paid for this benefit. Among other things, the contract also provides for the payment of premiums by the assured. Life insurance is universally acknowledged as a tool to:

- Eliminate risk
• Substitute certainty for uncertainty and
• Ensure timely aid of the family in the unfortunate event of the death of the breadwinner.

In other words, it is the civilized world’s partial solution to the problems caused by death. In a nutshell, life insurance helps in two ways: Premature death, which leaves dependent families to fend for itself and old age without visible means of support.

Life insurance is possibly the one product that has seen the greatest transformation. It has evolved from being a pure risk mitigation product to a vehicle for long-term savings and wealth creation. The one aspect that makes life insurance an ideal long-term savings vehicle is its guarantee that the customer will be able to meet the financial goal irrespective. If the customer survives the term of the policy he/she has saved towards the goal and can reap the maturity benefits of the policy. If not, the sum assured comes to play and the family receives the monies towards that goal (Sharma, Shikha; 2006).

Marketing of life insurance is one of the strenuous jobs because of its very nature. While non-life insurance business is renewed every year, life insurance business is created very day. It is because of the ever lasting conflict between the insurance companies which want to profit the most and the insured person who wants to get as much benefits as possible from the insurance company. Commissions for the life insurance companies are very high and they seldom make profits out of the policies. The insurance policy needs to be transparent so that the potential customer understands it fully and should not feel that they have been treated unfairly by the insurance company.

Several techniques may be used to identify insurance customers’ needs. Opinion-survey methods, such as questionnaires and interviews, may be sued to approach potential insurance customers, sales intermediaries, and market segment. Registration record cards of customers are another source of information, and are especially useful in drawing insurance’s customer profile. An additional method is to use both a survey and examination of registration cards.

Management consultancy firm McKinsey forecasted that India’s life insurance industry will double in the next five years from $40 billion to $80 -100 billion in
2012. This growth would improve the level of insurance penetration from 5.1 % of gross domestic product to 6.2 % in 2010-2012.

India’s life insurance market has grown rapidly over the past six years with new business premiums growing at over 40 % per year. The Indian life insurance industry could witness a rise in the insurance sector premium between 5.1 % and 6.2 % of GDP in 2012, from the current 4.1%. Total market premiums are likely to more than double during this period, from about $ 40 billion to $ 80-100 billion.

PROFILE OF THE SELECTED LIFE INSURANCE COMPANIES
As per the scheme of the study, the three life insurance companies namely Life Insurance Corporation of India, ICICI Prudential Life Insurance and Bajaj Alliance Life Insurance were selected. A brief profile of these three companies selected for the study is given below.

Life Insurance Corporation of India (LIC)
The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of new Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LIC to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC’s Wide Area Network covers
100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC’s ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its satellite sampark offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

- Objectives of LIC is to spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

- Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.

- Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

- Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
• Act as trustees of the insured public in their individual and collective capacities.

• Meet the various life insurance needs of the community that would arise in the changing social and economic environment.

• Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.

• Promote amongst all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of Corporate Objective.

Historically, the Indian life insurance industry had been a monopoly with LIC being the only player that catered to the insurance requirements of the Indian populace. The print medium has been the most preferred platform prior to the 2000.

The upcoming of private life insurers as well as the growing importance of television as an advertising medium, LIC began to allocated advertising budget for the same. One of the most prominent television advertisement of LIC was the ‘Mr. Sharma’ ad. It featured a widow speaking about the wisdom of her late husband since he invested in an LIC policy that helped her not only to educate her daughter, but also marry her off without facing any financial crisis. This advertisement was presented in the form of a testimonial. It focused on the idea that LIC’s insurance policy protected a family financially in the event of untimely death of the family’s chief wage earner. The treatment of LIC’s advertisements was largely serious forbidding doom. They generated a depressing feeling since the thought of ‘death’ loomed large time and again.

**ICICI Prudential Life Insurance**

As the life insurance sector was being opened up in the last nineties, it was but natural for a financial services behemoth like ICICI to look to entering the market. Prudential has over 150 years of experience domain knowledge and experience and was a natural choice for a partner. Further, ICICI and Prudential already had a highly successful joint venture in the asset management company. Thus, two of the strongest financial services brand in Asia, known for their professionalism, excellent quality of service
and shared vision of leadership joined hands once more in 2000 to set up ICICI Prudential Life insurance Company.

ICICI Prudential offers world-class products that can be customized to meet the needs of the customers. It was the first company to introduce the concept of add-on benefits or riders that enhance the scope of a policy and offer customers a greater degree of flexibility.

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank - one of India's foremost financial services companies-and Prudential plc - a leading international financial services group headquartered in the United Kingdom. Total capital infusion stands at Rs. 47.80 billion, with ICICI Bank holding a stake of 74% and Prudential plc holding 26%.

ICICI Prudential began operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). Today, nation-wide team comprises of over 2100 branches (inclusive of 1,116 micro-offices), over 290,000 advisors; and 18 bancassurance partners.

ICICI Prudential is the first life insurer in India to receive a National Insurer Financial Strength rating of AAA (Ind) from Fitch ratings. For three years in a row, ICICI Prudential has been voted as India's Most Trusted Private Life Insurer, by The Economic Times - AC Nielsen ORG Marg survey of 'Most Trusted Brands'. The ICICI Prudential edge comes from our commitment to our customers, in all that we do - be it product development, distribution, the sales process or servicing. Here's a peek into what makes ICICI Prudential leaders.

1. The products have been developed after a clear and thorough understanding of customers' needs. It is this research that helps us develop Education plans that offer the ideal way to truly guarantee your child's education, Retirement solutions that are a hedge against inflation and yet promise a fixed income after you retire, or Health insurance that arms you with the funds you might need to recover from a dreaded disease.

2. Having the right products is the first step, but it's equally important to ensure that customers can access them easily and quickly. To this end, ICICI Prudential has an advisor base across the length and breadth of the country,
and also partners with leading banks, corporate agents and brokers to distribute the products.

3. Robust risk management and underwriting practices form the core of business. With clear guidelines in place ensured equitable costing of risks, and thereby ensure a smooth and hassle-free claims process.

4. Entrusted with helping the customers meet their long-term goals, adopt an investment philosophy that aims to achieve risk adjusted returns over the long-term.

5. Last but definitely not the least, our 32,000 plus strong team is given the opportunity to learn and grow, every day in a multitude of ways. ICICI Prudential believe keeps them engaged and enthusiastic, so that they can deliver on our promise to cover you, at every step in life.

With the liberalisation of the life insurance sector in the year 2000, several private players entered the market. ICICI Prudential was the first company to harness the power of television advertising. The ‘Sindoor’ campaign launched in 2001 was a very effective way of communicating the basics of insurance. It is, in fact, one of most recalled life insurance advertisements in the history of Indian television. The campaign was further found to emphasis that ICICI Prudential will equip the husband to fulfill all the promises made. The ‘ICICI Retirement Plan’ campaign with the tagline- ‘Retire from work, not life’ was another landmark commercial from the ICICI Prudential stable. ICICI Pru’s ‘Chintamani’ Advertisement in 2004, became the mascot of the Indian middle class. The fictional character along with catchy slogan, “No chinta, only money”, is extremely popular till date. ICICI Prudential focused on human sentiments rather than speaking about safety and security.

**Bajaj Alliance Life Insurance**

Bajaj Allianz Life Insurance is a union between Allianz SE, one of the largest Insurance Company and Bajaj Finserv (demerged from Bajaj Auto). Allianz SE is a leading insurance conglomerate globally and one of the largest asset managers in the world, managing assets worth over a Trillion (Over INR. 55, 00,000 Crores). Allianz SE has over 115 years of financial experience and is present in over 70 countries around the world.
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Bajaj Auto is one of the most trusted names in Indian auto for over 55 years. At Bajaj Allianz customer delight is our guiding principle. Ensuring world-class solutions by offering customized products with transparent benefits, supported by best technology is our business philosophy.

Bajaj Alliance, one of the leading private insurers of the country has also introduced a fictional animated character called the Bajaj Allianz Super Agent. Bajaj Allianz Super Agent is the representation of the insurance agent/advisor community. Bajaj Allianz Super Agent reflects the ideal insurance agent who is empathetic and is ever ready to offer solutions to his customers.

The advertisements inform customers about a specific contact number where customers can call up to seek insurance assistance and advices. The animated character is well-groomed, with pleasing smile, smart body language and is shown extending a friendly handshake. The Super Agent campaign was primarily coined with the idea of encouraging people to save tax and in that sense; it was similar to the thought that went behind the designing of the “Chintamani” ad. But then Bajaj Allianz approached the issue differently.

1.3 Organisation of the Study

The present study has been divided into nine chapters. The first chapter has been titled as, Introduction, which incorporates an introduction about the subject and also a brief profile of the selected life insurance companies. A comprehensive review of literature undertaken by the researcher has been incorporated in the second chapter as, ‘Review of Literature’. Research methodology used for the present study has been explained in the third chapter. In the fourth chapter, global scenario of life insurance industry has been briefly discussed. Transition of life insurance sector of India has been discussed in the fifth chapter which is titled as, ‘transition of life insurance sector of India’. Chapter six provides an overview of General Agreement on Trade in Services (GATS). Chapter seven has been devoted to discuss the ‘Impact of GATS on life
insurance industry in India’. ‘Impact of GATS on marketing strategies of life insurance industry in India’ has been discussed in chapter eight. The last chapter incorporates summary and recommendations.

1.4 Limitations of the Study

Despite the fact that every care was taken to make the study most accurate and reliable, it might have suffered somewhat owing to following limitations.

1. Due to constraints of finance and time, the study was undertaken for only three life insurance companies.

2. Primary data might have been influenced by the inhibitions of the respondents and lack of conceptual clarity about the issues involved.

3. The results are based on a sample size of 300 responses. This sample size may not be true representative of the entire life insurance industry in India.

4. The life insurance industry in India, post- GATS, is not yet matured; therefore the findings of the present study may not be applicable in future.

1.5 Summing Up

There has been a tremendous change in the service industry, the worldwide over the last about one decade. India is no exception as it has also experienced many sea-changes in its service industry in general and its financial services sector in particular. Owing to our acceptance of membership of WTO agreement, the GATS clause has resulted into opening up of service sector for FDI. Out of the various service industries, life insurance sector has experienced the most changes. The erstwhile monopoly of public sector LIC in this sector has been broken and now the consumers have much wider choice of selecting a service provider for life insurance.