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**राजर्षी शाहू कला व वाणिज्य महाविद्यालय**

रुकडी ता. हातकणंगले जि. कोल्हापूर

**अर्थशास्त्र विभाग**

आणि

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## INDEX

SR. NO.	PAPER NAME/EDITOR NAME	PAGE NO.
	विषय क्र. १ : सेवा क्षेत्राचे खाजगीकरण	
1.	STATUS OF INDIAN RAILWAY *Dr. R.G. Korbu	1-6
2.	PRIVATIZATION OF INSURANCE SECTOR IN INDIA & LIC *Dr. Prashant Yashvant Phadnis	7-10
3.	ROLE OF SERVICE SECTOR IN ECONOMIC GROWTH OF INDIA *Prof. Dr. P. S. Kamble, **Dr. Vishal Madhukar Kurane	11-18
4.	A STUDY ON INDIAN ECONOMY AND PRIVATIZATION IN SERVICES SECTOR IN INDIA *Dr. Vijay B. Desai	19-23
5.	भारताच्या आर्थिक विकासातील सेवा क्षेत्राचे योगदान *प्रो.डॉ.सौ. सुनिता एस.राठोड	24-31
6.	भारतीय अर्थव्यवस्थेत सेवा क्षेत्राची भूमिका : विशेष संदर्भ पर्यटन *प्रा.डॉ. ए. बी. मुळीक	32-36
7.	IMPACT OF CHANGES IN SERVICE SECTOR IN INDIA IN SHAPING THE FUTURE OF BUSINESS *Dr. Varsha Raghunath Shinde	37-43
8.	A STUDY ON PRIVATIZATION OF SERVICE SECTOR IN INDIAN ECONOMY: A CRITICAL ANALYSIS *Dr. Hindurao Vasant Sankpal	44-47
9.	सेवा क्षेत्राचे खाजगीकरण *डॉ. बिराजदार श्रीमंत महादेव	48-52
10.	WOMEN EMPOWERMENT THROUGH ENTREPRENEURSHIP SERVICE SECTOR Prof. Mrs. Sawant Satvashila Ramesh	53-55
11.	भारतीय सेवा क्षेत्राचे सर्वसमावेशक अवलोकन *डॉ. मोहन गोविंद सदापते, *सुरज रामचंद्र चिगारे	56-64
12.	INFORMATION TECHNOLOGY AND ITS IMPACT ON SERVICE SECTOR WITH SPECIAL REFERENCE TO INDIAN ECONOMY *Prof. Kishor Gajanan Sutar, ** Dr. Sanjay Dhonde	65-69
13.	खाजगीकरणाचा सेवा क्षेत्रावर झालेल्या परिणामांचा अभ्यास *मनिषा भिमराव शेळके, **प्राचार्य डॉ. एस. एम्. भोसले	70-74
14.	A CRITICAL ANALYSIS OF SERVICE SECTOR IN INDIA: OPPORTUNITIES AND CHALLENGES *Dr. Dhanaji Baburao Ingawale	75-78
15.	PRIVATIZATION'S IMPACT ON LOCAL GOVERNMENT SERVICES *Dr. Pravin Gulabrao Babar	79-85



**PRIVATIZATION OF INSURANCE SECTOR IN INDIA & LIC****\*Dr. Prashant Yashvant Phadnis**

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**Abstract:** Economy of any country is divided into three sectors that is Primary sector, Secondary sector and third sector which known as Service sector. Agriculture and agricultural related activities comes under primary sector. All type of industries comes under secondary sector where as all services like education, banking, insurance, finance comes under third or service sector. The countries where maximum population is involved in primary sector are known as undeveloped countries where as in developed countries more population involved in third or service sector. Generally maximum share of National Income came from service sector. After adopting New Economic Policy, India accepted Privatization, Liberalization and Globalization. Privatization refers to the transfer of government services to the private sector or we can say the asset owned by the government may be sold to the private sector. The private sector is the part of the economy that is run by individuals and companies for profit and not in control of state. Therefore all profit making business divert towards privatization and a nonprofit business are operated by the government for social welfare purpose. Hence the service sector is dominated by private ownership. Insurance sector is no exception to this privatization policy. It is an attempt to find out the impact of privatization on insurance sector in India.

**Key Words:** Insurance, Privatization, Nationalized, Economy, Service Sector

**Introduction:**

Insurance in India started without any regulation in the 19<sup>th</sup> century in the British era. In that period Life Insurance was first setup in India through British Company named Oriental Life Insurance Company in 1818, followed by the Bombay Assurance Company in 1823 and Madras Equitable Life Insurance society in 1829. Bombay Mutual Life Assurance society started in 1871. The first general insurance company Triton Insurance Company limited was established in 1850, it was owned and operated by British government. All these companies operated in India but did not insure the lives of Indians. They worked for lives of Europeans leaving in India. Later some companies started insurance business for Indians. First indigenous general insurance company was the Indian

Mercantile Insurance Company Limited setup in Bombay in 1907. The insurance market in India was buzzing with 176 life and nonlife insurance companies till 1938.

Life Insurance Corporation and General Insurance Corporation of India are public sector insurance companies. In India Life Insurance Corporation and the General Insurance Corporation are dominating insurance business. LIC was nationalized under the Life Insurance Corporation Act of India. There are near about 60 to 70 million policy holders of LIC. Around 40% of the customers of the LIC are from rural and semi urban area so rural market has grown substantially for LIC.

**Objectives:**

- To study the history of Insurance sector in India.

### ३४ वे वार्षिक अधिवेशन (सुयेक)

- To study the privatization of insurance sector in India.

**Research Methodology:-** The present study is based on secondary data only. For the data collection researcher has used reference books, articles in various magazines government websites etc.

#### Privatization of Insurance Sector:-

In the period of independence there were 144 Indian insurance companies. 16 non-Indian insurance companies and 75 provident societies providing Life Insurance were present at that time. The Finance Minister Mr. C. D. Deshmukh announced nationalization of life insurance business in India in 1956. First, The Life Insurance Company was nationalized in 1956 and then the general insurance business was nationalized in 1972. After adopting the new economic policy in 1991, private insurance company were back into the business. Other countries in Asia have already decided to open their market and allowed foreign companies to participate in insurance sector.

**Top Private Sector Insurance Companies in India:-** Kotak Mahindra Life Insurance Company is one of the India's leading and fastest growing and one of the top life insurance companies in India.

- Bajaj Allianz Life Insurance Company - 2001
- Bharti EXA Life Insurance Company HQ In Mumbai
- Canara HSBC Life Insurance Company - 2008
- HDFC Life Insurance Company - 2000
- ICICI Prudential Life Insurance Company - 2000
- Max New York Life Insurance Company

- PNB Met-life India Insurance Company - 2001
- SBI Life Insurance Company - 2001
- TATA Life Insurance Company

#### Market share of Private Insurance Companies & LIC in India

Financial year	LIC	SBI Life	HDFC Life	ICICI Prudential	Max Life
2018-19	33.76	6.42	6.97	4.78	2.4
2019-20	31.26	6.41	6.72	4.77	2.16
2020-21	33.82	7.41	7.27	5.54	2.45
2021-22	36.75	8.1	7.73	4.78	2.52
2022-23	32.28	7.28	6.27	4.14	1.89

Source: Ministry of External Affairs and Industry, Government of India, New Delhi

The above figures show the Indian life insurance sector and insurance business of four leading private sector companies & comparison of LIC which is a government subsidiary. Table explains the position of these companies in the Indian insurance sector during the period 2018-19 to 2022-23. LIC's share, which was once of complete monopoly of the Indian insurance industry, now stands at around 34%, followed by SBI Life Insurance, HDFC Life Insurance, and ICICI Prudential Life Insurance. Although LIC is still the largest company, it can be seen that nearly 66% of the total insurance business is forwarded to private and foreign companies in the country.

#### Insurance Density for Life & Non-Life Insurance in India



Financial Year	Life & Insurance	Non -Life Insurance
2015-16	44	11
2016-17	43.2	11.5
2017-18	46.5	13.2
2018-19	55	18
2019-20	55	19
2020-21	58	19

*Source: Ministry of External Affairs and Industry, Government of India, New Delhi*

From the above table, the information about life insurance and non-life insurance can be seen from 2015-16 to 2020-21 which has seen a steady increase. The highest increase is seen during the Covid-19 pandemic period of 2020-21. On the other hand, non-life insurance also shows an increase of almost ten percent. This shows that life insurance is still preferred in India. An average of 51% of people in India takes life insurance while an average of 15% takes non-life insurance.

**Share of insurance as Gross Domestic Saving & Product of different countries. (in %)**

Country	Share of Insurance in Gross Domestic Saving	Share of Insurance in Gross Domestic Product
UK	52.50	7.31
South Africa	51.55	10.32
Japan	32.46	10.10
USA	25.20	3.63
Canada	17.05	3.04
India	5.95	1.29

*Source: Ministry of External Affairs and Industry, Government of India, New Delhi*

In the above table share of insurance in Gross Domestic Saving & Gross Domestic Product of different countries is mentioned. In many countries insurance has been a form of saving. Above statistics show how much of the

total savings is spent on insurance in various countries. According to these statistics, England spends almost 52% of the total savings on insurance, while in India this amount is only around six percent. South Africa invests near about 10% amount of GDP on Insurance sector. Even in America 25% of the savings is spent on insurance. South Africa and Japan spend about ten percent of the GDP on insurance. This can be said from above chart that share of insurance is very low in India means the need for insurance has not yet spread all over India.

**Why Indians go for Private Insurance Sector:**

- Increasing disposable income.
- Growing financial awareness.
- Growing middle class population attract towards insurance market.
- Marketing strategy of private companies.
- Service and claim settlement.
- Well-furnished offices and infrastructure.

**Conclusion:**

India's insurance industry is experiencing a polar growth as India is the fifth largest Life Insurance market in the world growing at a rate of 32 -34 % in each year. 26% foreign direct investment is allowed in Insurance sector in India. The insurance business is regulated by Insurance Regulatory and Development Authority of India IRDAI. At present there are 58 insurance companies in India in which 24 companies are working in life insurance business while 34 companies are working for non-Life Insurance business.

This is the result of the policy of privatization. Private companies not only generated more business, but the share of these companies in settlement of claims

## ३४ वे वार्षिक अधिवेशन (सुयेक)

has been 85 to 95 percent as well. That is why Indian customers prefer private companies for insurance. The business of private companies depends on better service. Companies that provide better service have an opportunity to grow their business in every sector. It can be seen that Foreign companies have started to dominate the Indian markets. It is necessary for the Indian company to establish a foothold in the foreign markets, only then the benefits of the policy of privatization will be seen in the development of the Indian economy.

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