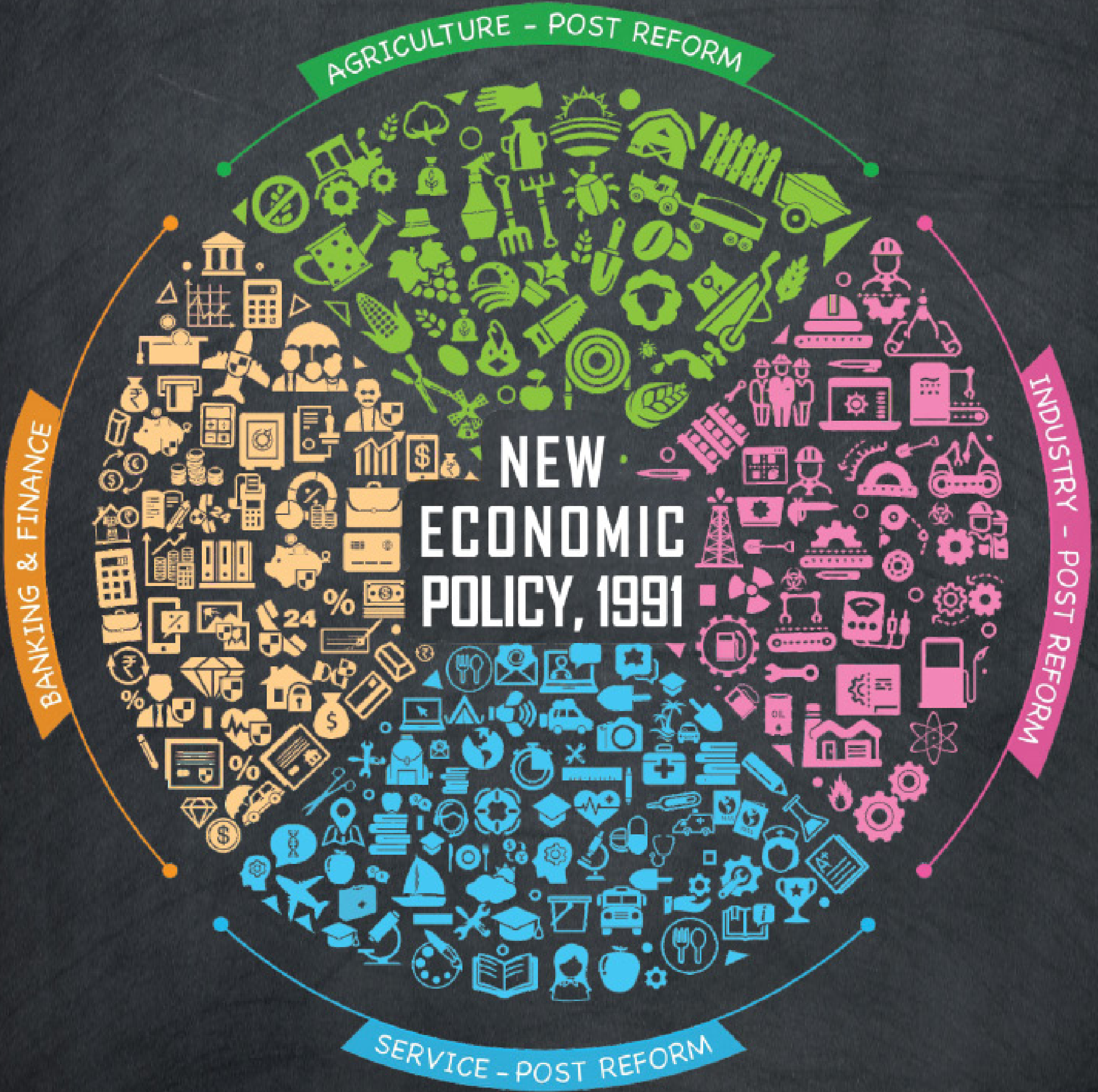
SAMPLE CONTENT

SMART NOTES

T. Y. B.Com

Business Economics (Sem - V)



Target Publications Pvt. Ltd.

SMART NOTES

BUSINESS ECONOMICS

T.Y. B.Com. Sem-V

Mumbai University

AS PER THE REVISED SYLLABUS: 2018-2019

Salient features:

- Exclusively handwritten book
- Complete coverage of syllabus
- Smart Codes to memorize answers
- Smart Revision for a holistic revision
- Replete with real-life examples and Recent Facts related to concepts
- Includes University Paper & Model Question Paper
- Includes QR Codes for data sources that enables additional reading

Printed at: **Repro India Ltd.**, Mumbai

P.O. No. 172424

TEID: 13560

PREFACE

This book based upon Business Economics is carefully curated to facilitate learning and instil conceptual understanding within students. This treasure trove of knowledge fosters robust conceptual clarity and inspires confidence within the nimble mind of students.

T.Y.B.Com is the final stride of a student's graduation course. During this critical time, our Smart Notes not only help you to prepare for your final examinations but also equip you on a parallel ground to strengthen your foundation & lay the cornerstone of a bright future. Smart Notes comprehensively cover the entire syllabus & answer all the questions that stand a probable chance of being asked in the University Examinations. The book is rife with real life examples & sections such as Recent Facts and You may like to know as well as QR Codes for data sources. We sincerely hope that this book helps you to comprehend the subject effortlessly and efficiently.

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

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SYLLABUS

Sr. No.	Modules / Units
1.	Macro Economic Overview of India • Overview of New Economic Policy -1991, Role of Social Infrastructure with reference to education, health and family welfare • Sustainable Development Goals and Policy measures: Make in India, Invest in India, and Skill Development and Training Programmes • Foreign Investment Policy Measures in India - Foreign Investment Promotion Board, FDI-MNCs and their role
2.	Agriculture During Post Reform Period • National Agricultural Policy, 2000: Objectives, Features and Implications • Agricultural Pricing and agricultural finance • Agricultural Marketing Development - Agricultural Market Infrastructure - Market information - Marketing training - Enabling environments - Recent developments
3.	The Industry and Service Sector During Post Reform Period • Policy Measures : Competition Act 2003, Disinvestment Policy, Micro, Small and Medium Enterprises [MSME sector] since 2007 • Industrial Pollution in India : Meaning, Types, Effects and Control • Service Sector : Recent trends, role and growth in Healthcare and Tourism Industry
4.	Banking and Financial Market • Banking Sector : Recent trends, issues and challenges in Banking and Insurance Industry • Money Market : Structure, Limitations and Reforms • Capital Market : Structure, Growth and Reforms

PAPER PATTERN

Maximum Marks : 100 Duration : 03 Hrs.

Question No	Particulars	Marks
Q-1	Objective Questions: Multiple choice/ True or False / Match the columns / Fill in the blanks A. Sub Questions to be asked 12 and to be answered any 10 B. Sub Questions to be asked 12 and to be answered any 10	20 Marks
Q-2 Q-2	Full Length Practical Question OR Full Length Practical Question	15 Marks 15 Marks
Q-3 Q-3	Full Length Practical Question OR Full Length Practical Question	15 Marks 15 Marks
Q-4 Q-4	Full Length Practical Question OR Full Length Practical Question	15 Marks 15 Marks
Q-5 Q-5	Full Length Practical Question OR Full Length Practical Question	15 Marks 15 Marks
Q-6	A) Theory questions B) Theory questions OR Short Notes To be asked 06. To be answered 04	10 Marks 10 Marks 20 Marks

Note: Practical question of 15 marks may be divided into two sub questions of 7/8 or 10/5 Marks.

INDEX

4.1 BANKING AND INSURANCE

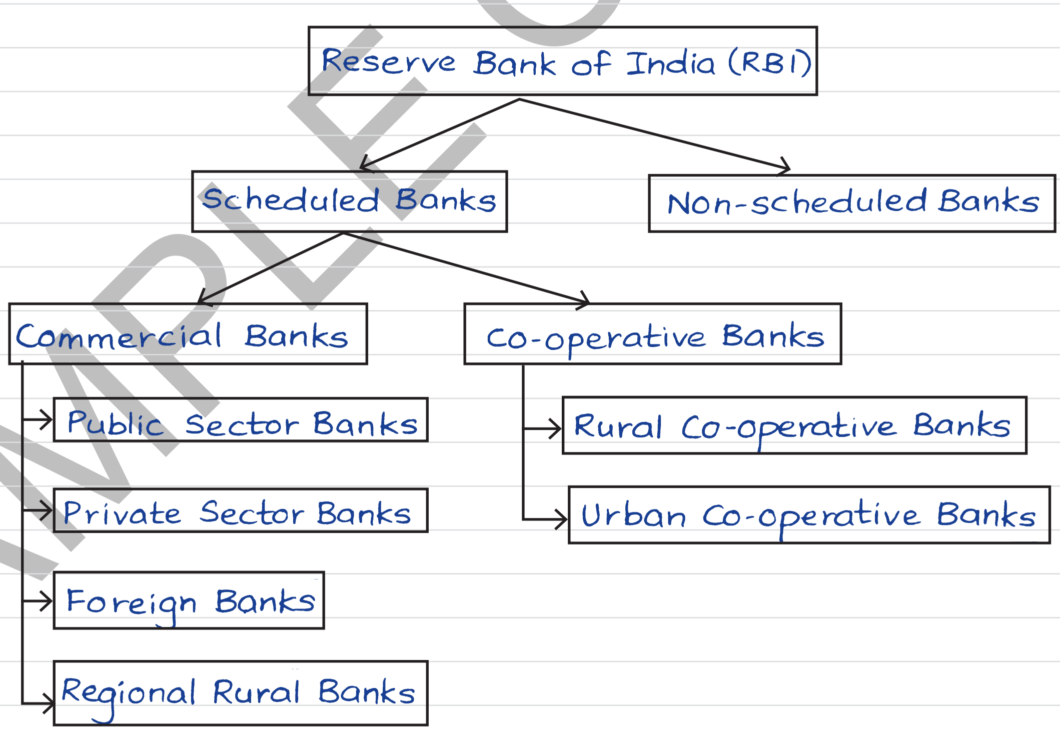
4.1 Learning Outcome

- Banking sector : Recent trends, issues & challenges in banking sector
- Insurance industry : Recent trends, issues & challenges in insurance industry

BANKING : BACKGROUND

- A banking company is defined as a company which transacts the business of banking in India. In simple words, banks accept deposits from public and lend it to borrowers.
- According to the Banking Regulation Act, the term banking is defined as: accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawals by cheque, draft, order or otherwise.

Structure of Indian banking system



Commercial banks at glance

	Sep-2018	Jun-2018	Mar-2018	Dec-2018	Sep-2017	Jun-2017
All Scheduled Commercial Banks	149	149	149	149	148	144
of which, Regional Rural Banks	56	56	56	56	56	56

Source :

Q.1. Write note on the trends in banking sector.

A. The economic development and financial sector liberalization have led to transformation of the Indian banking sector. Further, information technology (IT) related developments strongly support the sector by facilitating inclusive economic growth. The banks nowadays focus on innovation, improvement of existing services and development of new products in order to cater to the needs of their customers.

The significant trends in the banking sector are as follows:

1. COMPUTERIZED BRANCHES

Entry of private sector and foreign banks (which offered banking services using modern technology) compelled public sector banks (PSBs) to undertake rapid computerization of their branches. These days all banks use computer system to carry out their operations. The computerization brought about transformation in the way the sector functions.

2. CORE BANKING SOLUTION (CBS)

It refers to a networking facility whereby servers of different branches of a particular bank are linked to a common server. It enables account holder to access, deposit, and withdraw money from his account at any branch of the respective bank. It was possible to provide CBS facility to customers due to adoption of computerized branches.

3. ATM SERVICES

Introduction of Automated Teller Machines (ATMs) was one of the major technological developments which revolutionized the banking sector. The first bank to introduce the ATM concept in India was the Hong Kong and Shanghai Banking Corporation (HSBC) in 1987.

Branches & ATMs of Scheduled Commercial Banks (At end-June 2018)

	Branches					ATMs		
	Rural	Semi Urban	Urban	Metropolitan	Total	On-site	Off-site	Total
Public Sector Banks	29,201	25,397	17,677	18,546	90,821	83,259	61,839	1,45,098
Private Sector Banks	6,160	9,242	5,926	7,477	28,805	23,564	35,601	59,165
Foreign Banks	9	10	36	231	286	214	724	938

Source :

4. MOBILE BANKING

Mobile phones have become important medium for provision of wide-ranging banking services. The earliest mobile banking services were offered through SMS. Nowadays, it is possible to avail almost any banking service through mobile applications of respective banks. For instance, YONO SBI APP enables account holders of State Bank of India to avail various banking services such as paying bills, transferring money and so on.

5. INTERNET BANKING

It enables customers to carry out any transaction through the bank's website on the Internet. In traditional banking, customers have to approach the branch in person to withdraw cash/deposit a cheque/request a statement of accounts etc. Internet banking has proved to be an effective medium for delivery of banking services.

6. REAL TIME GROSS SETTLEMENT (RTGS)

It is an electronic settlement system whereby transfer of money takes place from one bank to another on "real time" and on "gross" basis. It means the transactions are settled as soon as they are processed on individual basis. There has been tremendous increase in such transactions over the period since the system facilitates efficient, secure, economical, and quick way to transfer funds.

> Recent facts:
>
> RTGS system handled 124 million transactions valued at ₹ 1,167 trillion in 2017-18, up from 108 million transactions valued at ₹ 982 trillion in the previous year. At the end of March 2018, the RTGS facility was available through 1,37,924 branches of 194 banks.

7. NATIONAL ELECTRONIC FUND TRANSFER (NEFT)

It is a nation-wide payment system facilitating one-to-one funds transfer. Under this scheme, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the scheme. From 10th July 2017, NEFT settlements are done on half-hourly basis. There are twenty three half-hourly settlement batches run from 8 am to 7 pm on all working days of week.

> Recent facts:
>
> NEFT system handled 1.9 billion transactions valued at around ₹ 172 trillion in 2017-18, up from 1.6 billion transactions valued at ₹ 120 trillion in the previous year. At the end of March, 2018, the NEFT facility was available through 1,40,339 branches of 192 banks, in addition to a large number of business correspondent (BC) outlets.

8. IMMEDIATE PAYMENT SERVICE (IMPS)

It is real time payment service that is available round the clock. This service is offered by National Payments

Corporation of India (NPCI). It enables customers to transfer money instantly through banks and RBI authorized Prepaid Payment Instrument Issuers (PPI) across India.

9. ELECTRONIC CLEARING SERVICE (ECS)

It is an electronic mode of payment/receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment (such as distribution of dividend, interest, salary, pension, etc.), or for collecting bulk receipts of money (such as electricity/water dues, tax collections, loan instalment repayments, insurance premium, etc.). Essentially, it facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa.

Payment System Indicators - Annual Turnover

	Volume (million)			Value (₹ billion)		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
ECS Debit	224.8	8.8	1.5	1,652	39	10
ECS Credit	39.0	10.1	6.1	1,059	144	115
IMPS	220.8	506.7	1,009.8	1,622	4,116	8,925

Source :

10. CREDIT CARDS & DEBIT CARDS

The sharp growth in credit and debit card usage can be majorly attributed to e-banking. The main difference between credit and debit card is that the former is 'post paid' card while latter is 'pre-paid' one.

Payment System Indicators - Annual Turnover

	Volume (million)			Value (₹ billion)		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Credit Cards	785.7	1,087.1	1,405.2	2,407	3,284	4,590
Debit Cards	1,173.6	2,399.3	3,343.4	1,589	3,299	4,601

Source :

11. POINT OF SALE TERMINAL

POS terminal is an electronic device used to process card payments at retail locations. It facilitates electronic fund transfer and enables business establishments to accept plastic cards in order to settle transactions.

12. DOOR - STEP BANKING

Banks also offer the banking services (such as pick up of cash or delivery of demand drafts to Corporate Customers/ Government Departments / sometimes Individual Customers) at their doorstep. In other words, customers may not need to visit the bank branch for getting certain banking services.

13. CUSTOMER ORIENTED

Due to heightened competition among banks, improvement in the quality of customer service has received utmost priority during recent times. The banks offer diverse services, right from customization of products to suit the customer appetite, expansion of products /services range to wider use of technology to make banking more accessible. There has also been change in the approach and attitude of the bank employees towards customers.

14. FINANCIAL INCLUSION

Government of India has introduced several schemes for achieving the objective of financial inclusion (for instance, Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana, Pradhan Mantri Suraksha Bima Yojana). The various strategies used by the banks to aid the process of financial inclusion include: affordable financial services, financial literacy programs and setting up credit counselling centres etc.

15. OTHERS

The other trends in the banking sector include: expansion of branches in remote areas, huge rise in deposit mobilization and bank lending, increased advances to priority sector, rise in overseas operations of Indian banks etc.

Q.2. Explain the issues & challenges faced by banking sector.

A. The Indian banking sector is facing a range of issues. It affects banks' day-to-day operations and thereby, has impact on their effective functioning.

The issues faced by the banking sector are as follows:

SMART CODE : ABAC^{2}I

1. QUALITY OF [A]SSETS

Asset quality is one of the crucial determinants to assess banks' overall condition. The quality of bank's assets depends on the degree of its bad loans / Non-Performing Asset (NPA). The rise in bad loans / NPAs adversely affects banks' profitability and capital positions. Large amount of NPAs affect the health of the entire banking sector.

Recent facts :

According to RBI report, the asset quality of banks showed an improvement with the gross non-performing assets (GNPA) ratio of commercial banks declining from 11.5% in March 2018 to 10.8% in September 2018.

2. [B]ANK FRAUD

Another issue faced by the banking sector is increased number of fraudulent transactions. The RBI classifies bank fraud as transactions involving any cheating, negligence, misappropriation of funds, or forged documents. It is often observed that banks are reluctant to report these cases.

3. CAPITAL [A]DEQUACY NORMS

Banks are required to maintain minimum capital in terms of capital-to risky asset ratio (CRAR), in order to protect the interests of depositors i.e., banks need to set aside certain amount as provision against bad loans. These norms limit the lending capacity of banks. It also increases the burden on government for recapitalization of Public Sector Banks.

4. [C]YBER THREATS

There has been rapid increase in the usage of internet banking, mobile banking, ATM etc. to obtain banking services. This leads to increased exposure to cyber attacks. Hence, banks are required to implement advanced authentication and access control processes, which lead to rise in their expenses.

Recent facts :

According to RBI report, bank frauds increased over 72 % to ₹ 41,167 crore in FY2017-18 despite stringent monitoring and vigilance. Total 5,917 fraud incidents were reported in various banking operations in the year. Of this, maximum 2,526 were advances related cases, while 2,059 were cyber frauds.

5. CORRUPTION

The corruption in the banking sector could arise due to several reasons : firms may bribe politicians (for instance, to secure loans by bypassing the loan review process), banks may bribe politicians (for instance, to gain regulatory forbearance). The corruption leads to misallocation of loanable funds from worthy projects to bad projects. It increases volume of NPAs.

6. POLITICAL INTERFERENCE

The political interference in the functioning of banks is likely to affect their financial health. For instance, loan may be advanced to businesses due to political influence without checking the repayment capacity. Such interference leads to increased chances of bad loans/ NPAs and undermines banks' autonomy to function efficiently.

The challenges faced by the banking sector are as follows:
SMART CODE : get RID of FRIES

1. REGULATORY REQUIREMENTS

These requirements continue to increase over time. As a result, the banks end up spending large part of their budget to ensure compliance and build systems and processes that keep up with the escalating regulatory requirements.

2. POLITICAL INTERFERENCE

The undue political interference in the banking system adversely affects the profitability of the sector. The banking sector needs to be given autonomy to function independently, without any pressure from politicians.

3. DIGITAL BANKING

It is required to promote digital banking by making customers familiar with the banking technology. It will make banking services easily accessible for users and contribute to higher business for the banks.

4. FRAUD AND CORRUPTION

There has been tremendous increase in corruption and cases of fraud over the recent years. The banking sector needs to implement stringent measures aimed at reducing (and eventually, eliminating) such instances.

5. RISK MANAGEMENT

The banks are required to constantly upgrade the risk management systems in order to address the changing environment. They are required to allocate significant resources to achieve comprehensive risk management.

6. FINANCIAL INCLUSION

It includes provision of banking services, at an affordable cost, to the vast section of deprived and poor / low-income groups who were earlier excluded from the financial system. Access to banking services is likely to improve the financial condition and living standard of this section.

7. EFFICIENCY

Due to aggressive competition in the sector, banks are required to improve their efficiency. They need to bring about improvement in day-to-day functioning provide wider range of services, ensure reliable service delivery through latest technology and, offer value added services to customers.

8. STRONG COMPETITION & CRM

Today, banks are facing aggressive competition and are required to take efforts to survive in highly uncertain environment. Banks have realized that effective Customer Relationship Management (CRM) is a crucial factor to build long-lasting relationships with customers and increase profits.

INSURANCE : BACKGROUND

- Each individual deals with different types and degrees of risks, which involve exposure to losses. In order to minimize this probable loss, a device termed as 'insurance' has been developed.
- Insurance refers to a contractual arrangement whereby one party (insurance company or the insurer) agrees to compensate the loss or damage sustained by another party (the insured) by paying a definite amount, in exchange for payment of a specific sum of money called 'premium'.

Types of Insurance
- Life Insurance
- General / Non-life Insurance

- IRDAI : The Insurance Regulatory and Development Authority of India (IRDAI) is an autonomous, statutory body that regulates and promotes the insurance and re-insurance industries in India. It was constituted by the Insurance Regulatory and Development Authority Act, 1999.

You may like to know :

Insurance Regulatory and Development Authority (IRDA)

- In 1993, a committee was set up under the chairmanship of Malhotra (former RBI Governor) to recommend insurance sector reforms with a view to complement reforms initiated in financial sector.
- On the basis of Malhotra Committee's recommendations, IRDA was constituted as an autonomous body in 1999 to regulate and develop the insurance industry. IRDA was incorporated as a statutory body in April 2000.
- IRDA aims to promote competition in insurance industry so as to enhance customer satisfaction (through rise in choices available to consumers and lower premiums). It also aims to ensure the financial security of insurance market.

OBJECTIVES OF IRDA

1. To protect the interest of and secure fair treatment to policyholders.
2. To bring about speedy and orderly growth of insurance industry.
3. To ensure speedy settlement of genuine claims.
4. To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence among insurance sector players.
5. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance.
6. To prevent insurance frauds and other malpractices and put effective grievance redressal machinery in place.

Q.3. Write note on the trends in insurance industry.

A. The Insurance Regulatory Development Authority Act (IRDA Act), 1999 marked the end of government monopoly in the insurance industry. Till 1999, Life Insurance Corporation (LIC) and General Insurance Corporation (GIC) were the sole providers of life insurance and general insurance in India.

The significant trends in the insurance industry are as follows:

1. PRIVATE SECTOR & FOREIGN PLAYERS

Government of India liberalized the insurance sector, by lifting entry restrictions imposed on private players. It also allowed foreign players to enter the Indian market and start their operations with some limits on direct foreign ownership.

2. GIC RESTRUCTURING

IRDA Act introduced amendment to GIBNA and the Insurance Act, 1938. Amendment to GIBNA removed the exclusive privilege of GIC and its subsidiaries to carry on general insurance business in India. In November 2000, GIC was re-notified as the Indian Reinsurer. Further, its supervisory role over the four subsidiaries was ended through administrative instruction. With GIBNA Amendment Act (40 of 2002) coming into force in March 2003, GIC ceased to be a holding company of its subsidiaries. The ownership of four subsidiaries and GIC was conferred to Government of India.

3. FDI

Earlier, only upto 26% of FDI was permitted through the automatic approval route in the insurance sector. Now, the foreign investment upto 49% of the total paid-up equity of the Indian Insurance Company is permitted in the country.

4. INSURANCE COMPANIES

Insurance industry of India consists of 54 insurance companies of which 24 are in life insurance business and 30 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. The stand-alone health insurance companies include Star Health and Allied Insurance, Apollo Munich Health Insurance, Max Bupa Health Insurance, Religare Health Insurance, and Cigna TTK Health Insurance. Further, Export Credit Guarantee Corporation of India Ltd. is the 'Specialized Insurer in export credit insurance' while Agriculture Insurance Co. Ltd. is the 'Specialized Insurer in Agriculture'.

5. PERFORMANCE

The performance of life and non-life insurance companies can be understood with the help of following tables:

Life Insurance Business Performance	2015-16		2014-15	
	Public Sector	Private Sector	Public Sector	Private Sector
Premium Underwritten (in Crore)	266444.21	100499.02	239667.65	88433.49
New Policies Issued (in Lakh)	205.47	61.92	201.71	57.37
Number of Offices	4892	6179	4877	6156
Benefits Paid (in Crore)	141201.05	60565.05	144125	67054

Source :

QR Code	

Non-Life Insurance Business Performance	2015-16		2014-15	
	Public Sector	Private Sector	Public Sector	Private Sector
Premium Underwritten (in Crore)	47691	39694	42549·48	35090·09
New Policies Issued (in lakh)	671·32	549·44	677·82	504·97
Number of Offices	8414	2389	8207	2200
Net Incurred Claims (in Crore)	38104·27	21764·44	31567·75	19430·46

Source :

QR Code	

6. INSURANCE PENETRATION

Insurance penetration measures the growth of life insurance premiums vis-a-vis the growth of the GDP. It reflects the level of development in the insurance sector with respect to overall economic growth. The penetration ratio over the years is shown in the following table :

Year	Insurance Penetration Ratio		
	Total	Life	Non-life
2000	2·3	1·8	0·7
2013	3·9	3·1	0·8
2016	3·49	2·72	0·77

Another measure of insurance development is per capita spending on insurance, known as insurance density. It is calculated as the ratio of premium underwritten in a given year to the total population. The insurance density (in \$) over the years is shown in the following table :

Year	Insurance Density (\$)		
	Total	Life	Non-life
2002	14·7	11·7	3
2006	38·4	33·2	5·2
2010	64·4	55·7	8·7
2014	55	44	11
2016	59·7	46·5	13·2

7. GOVERNMENT INITIATIVES

The government has undertaken many initiatives to encourage the growth of insurance sector in the country. It includes the following:

a. Service tax on single premium annuity policies is decreased from 3.5% to 1.4% of the premium paid in some cases.

b. The government has also designed two insurance schemes in 2015-16: Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is Personal Accident Insurance plan and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which is the government's Life Insurance plan.

c. Pradhan Mantri Fasal Bima Yojana (PMFBY) launched in 2016 replaced two schemes: National Agricultural Insurance Scheme (NAIS) and Modified National Agricultural Insurance Scheme (MNAIS). The government allocated ₹ 5500 crore to the PMFBY in Union Budget 2016-17.

d. IRDAI created two committees to suggest ideas in order to promote e-commerce in the insurance sector. It will aid to raise the insurance penetration and achieve financial inclusion.

Recent facts:

On 18th January 2017, the Cabinet Committee on Economic Affairs gave its 'in principle' approval for listing the five Government owned General Insurance Companies in stock exchanges. These companies are: New India Assurance Company Ltd., United India Insurance Company Ltd., Oriental Insurance Company Ltd., National Insurance Company Ltd. and General Insurance Corporation of India. The shareholding of these companies will be divested from 100% to 75% in one or more tranches over a period of time.

Q.4. Explain the issues and challenges faced by insurance industry.

A. Indian insurance industry faces several issues & challenges on account of rising costs, slower growth, increased competition, heightened consumer expectations and delayed reforms.

The issues faced by the insurance industry are as follows:

SMART CODE: Unique CART

1. UNDER-PENETRATION
The sector needs to take efforts for increasing the penetration of insurance in rural and underpenetrated areas. It can be done by increasing awareness regarding the need to purchase insurance schemes. Low insurance density is also a matter of serious concern.

2. CUSTOMER SATISFACTION
The factors which lead to consumer complaints include delays in settling claims, denial of claim, unsatisfactory settlement/offer and so on. It is essential for the insurance industry to ensure customer satisfaction in order to survive and grow over time.

3. AFFORDABILITY ISSUES
The insurance schemes which include payment of high premiums are unaffordable for poor section of the society. It is required to design products catering to the needs of poor in order to cover the wider market segment.

4. RISK MANAGEMENT
In order to survive and be successful, insurance companies need to engage in effective fund management and risk assessment. Further, it is also necessary for the companies to guard themselves against risks through re-insurance.

5. TECHNOLOGY REQUIREMENTS
Insurers are required to provide their services with the help of technology (for instance, mobile and internet can be used for communication). It leads to increased insurance penetration and reduced cost of operations.

The challenges faced by the insurance industry are as follows:
SMART CODE : Cheap CREDIT

1. COMPETITION
With customers being free to choose among various insurers (private sector players, public sector players and foreign market players), the market has become highly competitive. Such competition proves to be beneficial for customers.

2. CUSTOMER SERVICING

Insurance service provision goes beyond delivery of policy document or processing customer requests. It involves building the feeling of trust among customers. The insurance companies are required to provide their customers with adequate, timely and good quality service at each step.

3. REGULATION

The industry operates under multiple regulatory requirements. It also needs to comply with changing rules regarding transparency and reporting, capital requirements, customer interaction etc. The industry should be given time to adjust to regulatory changes in a phased manner.

4. EFFECTIVE COST MANAGEMENT

The expenses to be incurred by insurance companies (such as commissions, fund management fees, expenses on marketing and advertising and so on) need to be kept within limit. The insurance companies must ensure that excessive expenditures should not hurt their own profitability & the long-term interest of policy holders.

5. DIFFICULTY ASSOCIATED WITH PRICING

Pricing is a tough task in the insurance sector. It is required to assess various risk factors to arrive at the "right price". Such price shall consider underwriting premium, consider volatility in economic conditions, withstand competitive pressure and generate operating surplus for the insurer. The insurance companies need to determine the price with focus on long-term sustainability.

6. PRODUCT INNOVATION

Changing environment forces insurers to reconsider their existing products & cover new classes of risk. With increased level of competition and consumer expectations, the companies need to develop highly customized products. Product innovation is one of the best strategies for companies to enhance their market share.

7. TRANSPARENCY

Majority of insurance products are sold through agents and insurance is seen as a "push" product by the customers.

Insurers needs to carefully and clearly specify exclusions, restrictive features, clauses for cancellation and renewability, etc. They also need to ensure that the applicant fully understands the terms and conditions of the policy.