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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<p style="text-align: center;">LITERACY & POVERTY AMONG MINORITIES IN INDIA</p> <p style="text-align: center;"><i>Dr. KEWAL KRISHAN & SHILPA CHAUHAN</i></p>	1
2.	<p style="text-align: center;">CUSTOMER CENTRICITY: A MULTIDIMENSIONAL PERSPECTIVE</p> <p style="text-align: center;"><i>ISHA BHATT</i></p>	7
3.	<p style="text-align: center;">ROLE OF FOREIGN DIRECT INVESTMENT IN INSURANCE SECTOR IN INDIA: AN ANALYTICAL STUDY</p> <p style="text-align: center;"><i>PREETI SHARMA</i></p>	12
	REQUEST FOR FEEDBACK & DISCLAIMER	16

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LITERACY & POVERTY AMONG MINORITIES IN INDIA

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ABSTRACT

Literacy is one of the qualitative aspects of human life and it mirrors the level of development of a country. The present study is an attempt to make a comparative analysis of the literacy rates and the poverty rates of the major religious groups of India in including minorities both in terms of gender and urban-rural differentials. The study is based on the Census 2001 dataset on Religion and Census 2011 dataset. The data set for poverty are based upon Tendulkar Methodology (TM). As such, literacy rate itself is a good indicator of the socio-economic progress of a country as also of a religious group. From a sociological point of view, the nation of India is large and complex enough that it might be considered a world of its own. In India there is a religious based minority's class. Various Provisions have been incorporated in the Indian Constitution for the uplifting these minorities in India. Though the benefits are not as much as are available to SCs/ STs, yet they are being recognized for community development/ Social development as well as economic development. An effort has been made to highlight the religious faiths along with religious population and the level of poverty among the minorities in India. Poverty and literacy and coincide of a national development. An attempt has been made to understand the relationship between poverty and literacy in this paper.

KEYWORDS

minorities, religious, religion, poverty, literacy.


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ABBREVIATIONS

NRM	New Religious Member
BC	Before Christ
AD	After Death of Christ
BPL	Below Poverty Line
TM	Tendulkar Methodologies
NSSO	National Sample Survey Organization
NCM	National Commission for Minorities

INTRODUCTION

 India is a multi religious, multi-lingual and multi cultural society, Secularism is the bedrock of our national hood. Uniquely among world civilization ours has combined antiquity and continuity with the heterogeneity. Our diversity is not a weakness but the basic sources of our strength as a nation. We have build our national hood on the value of tolerance and self confident synthesis of openness to the best in all cultures without losing our distinctive identity of co-existence among different ways of life and the cross fertilization of ideas.

The Oxford Dictionary defines 'religion' as the belief in a superhuman controlling power, especially in a personal God or Gods entitled to obedience and worship." On similar lines, Tomlin Law Dictionary defines it as the habit of reverence towards 'Divine Nature' whereby we are enabled and inclined to serve and worship him" Neil A. Mc Donald (1965) ¹ points out effectively the universality of religion. He observes: Religion deals with the absolute in life. But the very act of conceiving an absolute draws with it a perception of the nature of the absolute, and some this absolute cannot be known through the sense or through reason, individuals are bound to have different ideas about it, based to sense extent on their experience. This is why men disagree about the nature of God and what God requires of man." (a) Religion means "a system of beliefs or doctrines which is regarded by those who profess that religion as conducive to their spiritual well being"(b) A religion is not merely an opinion, doctrine of belief. It has its outward expression in acts as well (c) Religion need not be theistic(d) 'Religious denomination' means a religious sect or body having a common faith and organization and designated by distinctive name.

The Supreme Court of India described the religion in Constitution: Religion is certainly a matter of faith with individuals or communities and it is not necessarily theistic. There are well known religions in India like Buddhism and Jainism, which do not believe in God or any Intelligent First Cause. A religion undoubtedly has its basics in "a system of beliefs or doctrines which are regarded by those who profess well-being," but it would not be correct to say that religion in nothing else but a doctrine or belief. A religion may not only lay down a code of ethical rules for its followers to accept it, it might also prescribe rituals and observances, ceremonies, and modes of worship which are regarded as integral parts of religion and these forms and observances might extend lo matters of food and dress" (Richard T Schaefer (2011))².

It is not only India which is embodied with majority of religions, but almost all countries are rich with number of religions, whereas the freedom of preaching the religions is exclusively granted only in India. The Scenario of worldwide religion (www.indexmindi.com)³ Hinduism by 1032(15.0%), Islam 1599 (23.2%), Christianity by 2168 (31.4%) Sikh by 20 (0.35%), Buddhism followed by followers in millions 488 (7.1%), Zoroastrians /jains by 15 (0.22%), others (Sect/ NRM) by 37 (6.35%), and No religion by 1131 (16.4%) in the world. The Primary location of religious followers worldwide are i.e., Hinduism in India/ Indian Communities Overseas, Islam in Middle East/ Central Asia/ North America/ Indonesia, Christianity in Europe/ North America/ South America, Sikh in India/Indian Communities abroad, Buddhism in Southeast Asia/ Magnolia/Tibet, Zoroastrians in Israel/ United States/ France/Russia, & Jainism in Western Indian (Sindhu Ghati) and the founders & approximate birth dates of religions are i.e., Hinduism no Specific founder (1500 BC) Islam by Mohammad (570 A.D), Christianity by Jesus Christ (6 B.C), Sikh by Guru Nanak Dev Ji (1500 AD).Buddhism by Gautama Sidhartha (563 B.C), Zoroastrians (2000 B.C) by Zoroaster in Persia, later on his religion was divided in two branches one Iranians and second Parsis, Jainism (3000-3500 BC) by Rishabhdev and the important texts (and holy sites) in different religions are i.e., in Hinduism -Sruti and Smirti texts

(seven-secret-cities-,including Varanasi), in Islam- Qur’an, or Koran (Mecca Medina, Jerusalem) in Christianity- Bible (Jerusalem, Rome), in Sikh Guru Granth Sahib, (Amritsar India), in Buddhism -Trip taka (Areas of Nepal), Zoroastrians -Torah, Talmud (Jerusalem), & in Jainism –Agam (Purvas).

No. of Countries with majority of religion and percentage worldwide as depicted in (www.google)⁴ reveals that Hinduism is in majority only in 3 countries (1.28%), Islam is in majority in 50 countries (21.36%), Christianity is having majority in 162 countries (69. 23%), Buddhism is in majority in 8 countries containing 3 % of world’s countries, Zoroastrians and jains are in majority in 4 countries (1.72%), No specific religions are adhered by majority of peoples of 7 countries (2.99%) out of the total 234 counties of the world. It explains that worldwide tremendous diversity exists in religious beliefs and practice, overall about 83.6 % of the world population adhere some religion NRM/Cult and a large proportion about 16.4 % is non religious. This level of adherence changes over time to time and varies country by country and age group. In US non religious are 13% where as in 1900 they were 1.3 %. (Richard T Schaefer (2011) ⁵ Thus Hindus, Islam, Christianity, Sikhism,Buddhism, Zoroastrians, & Jainism faiths are followed by people all over the world. India was very rich in culture and traditions from initial stages which resulted the birth place of four important regions i.e., Hinduism, Sikhism, Buddhism, and Jainism. From the land of that great Bharat (now India).

OBJECTIVES OF THE STUDY

1. To make a comparative analysis of the literacy rates and the poverty rates of the major religious groups of India in including minorities both in terms of gender and urban-rural differentials.
2. To highlight the religious faiths along with religious population and the level of poverty among the minorities in India

RESEARCH METHODOLOGY

The paper is based upon the secondary data, which is collected from published reports, journals, magazines, websites etc.

MINORITIES IN INDIA

Minority may of linguistic and religious. It is difficult to decide the minority on the basis of languages because large numbers (400) of languages are spoken in India out of which 16 are officially recognized. So, determination of minority is based on the religion or faith having lesser number/inhabitants/followers. The problems of the minorities are not even prevailed in India but, it is omnipresent, every corner of life. The discrimination is enforcing on Caste, colour, race, religion region grounds etc or any one of them in all over the world. The term; minority has been defined in the constitution of India or in any other enactment or in the Government of India Resolutions under which minority commission was established. In India National Minority Commission (NCM) was established in 1992 and it is treating Muslims, Christians, Sikhs, Buddhists Zoroastrians (Iranis & Parses) and Jainism as religious minorities at the national level in India, because their numerical strengths as compared with rest of Indian citizens is smaller and as such they are entitled to any protection that may be designed to for religious minorities. India pursues the philosophy of Surve Dharma Sumbhava and therefore, everybody has the fundamental right to freedom of religion guaranteed by the Constitution. Article 25 to 30, 50 and 350 of the Constitution deals with the right to freedom of religion and comprehensively, almost all the matters concerning religion are covered by these four Articles. Article 50 mentions religion in the context of the right of religious minorities to establish educational institutions of their choice (NCM)⁶

The Hinduism took birth in India in 1500 BC; Islam arrived in India in (1000 AD) with the first of many Muslim invasions. It flowered there during the Moguls Empire (1526-1857), Christianity came to India (Wankhede Harris S. 2009)⁷ in the first century AD. It is believed that Jesus, at the age of 13 years came to India. Sikhism by Gurus from Baba Nanak to Guru Govind Singh Ji⁸. Buddhism was elaborated in India by Gautam Budha and his disciples The Religion, Zoroastrianism, (David G. Mandelbaun, 2014)⁹, was introduced to India from Persia in about the 8th century AD. The Parsis were the refugee Zoroastrians from Iran. The Population of Persians in India is very small, but they are the most developed community in India (Rustagi 2008)¹⁰

Table 1 gives the detail of religion wise population of India as per census 2011. The population of all the religions which is in practiced in India is needed to be studied in the perspectives of minority’s evaluation in India. Religious persons are splits throughout India in Rural and urban areas. Though, the characteristics of distribution are different in different religion, which is explained in Table 1.

TABLE 1: RELIGIOUS WISE GENDER POPULATION (in crores and percentage)

Religion	Male		Female		Total		Sex Ratio
	Number	Percentage	Number	Percentage	Number	Percentage	
Hindu	498.31	41.15	467.95	38.65	966.26	79.80	939
Muslim	88.27	7.29	83.97	6.94	172.24	14.23	951
Christians	13.75	1.14	14.07	1.16	27.82	2.30	1023
Sikh	10.95	0.90	9.88	0.82	20.83	1.72	903
Buddhist	4.30	0.36	4.14	0.34	8.44	0.70	963
Jain	2.28	0.19	2.17	0.18	4.45	0.37	952
Others	5.42	0.445	5.38	0.435	10.80	0.88	993
Total	623.28	51.48	587.56	48.52	1210.84	100	943

Source: Population of India Census 2011 Govt. of India website and Authors calculations.

Table 1 describes the population of India religion wise and gender wise as per census 2011. The total population is studied to make the relevance with minority population in India. It is clear that the population of India is dominated by Hindus (79.80%). The persons who do not adhere to any religion are (0.22%) & the person of other religions NRM/ Sects etc are (0.66%) which makes their total percentage (0.88%), Moreover the 80.68% population is free from any minority cult. The remaining 19.36% population is a minority population in India which included i.e., Muslims 14.23%, Christians 2.30% Sikh 1.72%, Buddhist 0.70 % and Jainism 0.37%. The population of Zoroastrians has not been incorporated in the above table due to non availability of the relevant data. However, the Zoroastrians also falls in the minority class in India as per minority commission. The approximately expected population of Zoroastrians in India is about 60000 (sixty thousand) only. The population of Zoroastrians are decreasing decade by decade where as in earlier census they were about 69000 (sixty-nine thousands) only. But despite of their meager contributed in Indian population they are contributing a lot in the national development or economic development. Their per capita income is much higher than the rest of the population of India. They are good entrepreneurs, businessman, politicians, economist and educationist etc. (BBC News)¹¹. Among other minority Islam /Muslim is only a major player in the minority group which is having larger share of minority population (14.23%). Their larger population proportion is also one of the reasons of communal riots and civil disturbance. The other minority are only 5.13%.

The overall gender gap is 2.96% between male and female population in India. The male population minority communities are 9.84% of the total population of India, whereas the minority female population is 9.44%, thus the minority community gender gap is only 0.40%. Thus, reason of the more gender gap in India is non minority population. Minorities are giving much importance to their women counterparts and avoiding female feticide.

The sex ratio of Sikh minority community (903) is less than the national sex ratio (943) Christianity has the sex ratio 1023 per female for 1000 male in India. The average sex ratio of five minority classes in India works out as 958 which is also more than the overall sex ratio (943) of India. This is very alarming to non- minorities population of India and showing that minorities are very aware about the female sex protection. At the National level Hindus are the dominate majority but at the state level they i.e., Muslims are in majority in Jammu & Kashmir & Lakshadweep, where as Christians are in majority in Meghalaya, Nagaland, Mizoram, states and Sikhs are majority in Punjab state.

TABLE 2: GENDER WISE RURAL AND URBAN POPULATION OF MINORITIES (in crores and percentage)

Religion	Rural				Urban				Grant Total
	Male	Female	Total	Sex Ratio	Male	Female	Total	Sex Ratio	Rural+Urban
Hindu	351.42 (29.02)	332.68 (27.48)	684.10 (56.50)	946	146.88 (12.13)	135.28 (11.17)	282.16 (23.30)	920	966.26 (79.80)
Muslim	52.87 (4.37)	50.63 (4.18)	103.50 (8.54)	958	35.40 (2.92)	33.34 (2.75)	68.74 (5.68)	940	172.24 (14.23)
Christians	8.30 (0.69)	8.36 (0.69)	16.66 (1.38)	951	5.46 (0.45)	5.70 (0.47)	11.16 (0.92)	1045	27.82 (2.30)
Sikh	7.84 (0.67)	7.09 (0.56)	14.93 (1.23)	904	3.11 (0.26)	2.79 (0.23)	5.90 (0.49)	900	20.83 (1.72)
Buddhist	2.45 (0.205)	2.37 (0.195)	4.82 (0.40)	959	1.84 (0.152)	1.78 (0.147)	3.62 (0.299)	973	8.44 (0.70)
Jain	0.47 (0.04)	0.43 (0.03)	0.90 (0.07)	935	1.81 (0.149)	1.74 (0.144)	3.55 (0.293)	955	4.45 (0.37)
Others	4.47 (0.37)	4.41 (0.36)	8.88 (0.73)	987	0.99 (0.08)	0.93 (0.7)	1.92 (0.15)	939	10.80 (0.88)
Total	427.82 (35.33)	405.97 (33.52)	833.79 (68.85)	948	195.49 (16.15)	181.56 (15.00)	377.05 (31.15)	929	1210.84 (100)

Source: Population of India Census 2011 Govt. of India website and Authors calculations.

Figures in numbers are in crores & Figure in parenthesis depicts percentage of total population of India.

Table 2 shows the region wise gender wise rural and urban population in number and in percentage of India including minorities. The rural population is 68.85% of total population, which comprises 35.33 percent males and 33.52 percent females in rural area. The population of rural India is decreased from the previous population census which shows that the people are urbanizing for the search of employment and settle later on in urban area. The rural India gender gap is only 1.81 %. This shows that the male and females are almost equal in the rural India. As for as the minority rural population is concerned it is only 11.62% of the total population of India out of which females are 5.66%. The gender gap in rural minority is 0.32%, with Christianity more females than males. The sex ratios of Sikh (904) and Jain (935), whereas the average rural sex ratio of minorities is (941) which is also less than the national rural sex ratio (948). This shows that in rural India female sex is not protected it may be lack of medical & other facilities in the rural India.

Table further reveals that only 31.15 % population of India is residing in the urban areas out of which males are 16.15 % and females 15% making the urban gender gap only 1.15%. The minorities in urban India are 92.97 crores or 7.68% of the total population of India out of which 45.35 crores (3.74%) are females. The gender gap in minorities in urban areas is only 0.19%. Females are more in Christianity and almost equal in Jainism. The overall urban sex ratio is 929 and only Sikh has the less sex ratio (900) than national sex ratio among all the minorities in India. The average sex ratio of minorities in urban India is 962 which are higher than the national sex ratio (929). The Christians has more females than males in urban India also. This shows that except Sikh all other minorities' communities are well aware about the protection of females and having admiring sex ratios. Sikh gurus need more advisory roles to play for the protection of minority females in India.

LITERACY IN INDIA

The Indian Census follows the commonly applied definition of literacy as an ability to read and write with understanding. Although literacy is not the same as education, it is nevertheless the first indispensable step towards it. There is no universal definition and standards of literacy. Most presented rates are based on ability to read and write at a specified age. Information on literacy, while not a perfect measure of education results, is probably the most easily available and valid for international comparisons also. Low level of literacy and education in general, can impede the economic development of a country in the current rapidly changing, technology driven world. The literacy rates of the 162 countries of the worlds shows that 27 countries are having the estimated literacy rates above 99% leading by North Korea 100%. India stands at 124th place with 71.2% literacy rate (CIA) ¹². In India the constitution defined the literacy capacity of a person to read and write and understand the perspective in the similar manners. The person below the age of 7 years is not counted in the literacy in India as per the assumption that they are not going to school. Literacy is something different from the education level. The population of India "in the Indian states ranking by literacy rate" show that the India's literacy in 2011 was approximately 73 % and it increased at 9 % as compared to 2001 census. The Kerla was the highest with 93.91 % and The State Himachal Pradesh placed at 11th with 83.78%. Tripura and Manipur have gained approximately 13.50% from the previous census whereas the highest positive change (+16.82%) was seen in Bihar. ([http:// ed.](http://ed.))¹³.

TABLE 3: LITERACY RATE AMONG MINORITIES GROUPS IN INDIA, 2011

Religion	Overall	urban	rural	Differentials index (UR)	Male	Female	Differentials index (MF)
Hindu	73.27	85.28	68.72	0.23	81.70	64.34	0.24
Muslim	69.01	76.48	63.04	0.19	74.73	62.04	0.18
Christian	84.53	92.90	78.69	0.17	87.69	81.47	0.07
Sikh	75.39	86.51	70.92	0.21	80.03	70.31	0.13
Buddhist	81.29	87.26	76.70	0.13	88.31	74.04	0.18
Jainism	94.88	96.47	88.86	0.08	96.78	92.95	0.04
Others	63.74	81.30	59.71	0.34	73.79	60.39	0.21
All Religion	72.98	84.11	67.77	0.22	80.88	64.63	0.22

Source: Authors Calculations based on census of India registrar General of Census 2011 survey.

Urban-Rural (UR) & Male Female (MF) Differential was calculated by using the formula:

Urban-rural difference in literacy was found by using the urban-rural differential index as used by Krishan and Shyam (1978)¹⁴. Table 3 reveals that urban rural differentials literacy index is more in Sikhs (0.21), followed by Muslims (0.19%) and Christians (0.17), whereas the literacy differential index is very marginal in Jainism (0.08). Table further indicated that the literacy gap has been found in all the minority classes showing that urban literacy is more in all the minorities' but the gap is wider in Sikh and Muslims. This is clear that the rural minorities are lacking the basis amenities as the rural literacy ratios are less in all the religions including minorities. The gender literacy rates also show that the males are more literate than females in all the minorities' classes in India. Though the gender wise literacy gap is more (14.27%) in Buddhism but the literacy differentials Index is similar for Buddhist and Muslims (0.18). This shows that the weighted literacy difference is similar for these two minorities in India. The gender literacy gap is very marginal as well as the gender differentials rate is also very low (0.04) in Jainism and Christianity (0.07). This shows that the females in these two minorities are educated/ literate enough as compared to rest of minorities in India.

In 2011, the literacy rate for the population aged 7 years and above for the country as a whole stood at 72.98 per cent. The literacy rate of the Jain population was the highest at 94.88 per cent, followed by the Christians at 84.59 per cent and the Buddhists at 81.29 per cent. The literacy rate among the Hindus (73.29 per cent) was slightly higher than the national average (72.98 per cent) but lower than that of the Jains, the Christians, the Buddhists and the Sikhs. Moreover, Hinduism like Islam tends to be more gender restrictive than either Christianity or Buddhism regarding social norms. For instance, the traditional laws of Manu make women non-eligible for all scholastic activities (Stromquist, 1992)¹⁵.

Education of females enhances their capabilities, such as the freedom to participate in political and economic processes, protect oneself against exploitation, exercise personal mobility, attain high social status and increase child and maternal well-being and at the heart of the gender gap is the fact that many of the benefits of female education are societal such as a more productive workforce, lower fertility and lower infant mortality, whereas the costs are private which include tuition fees, uniforms, transport and most importantly, opportunity costs in the shape of foregone child labour (King and Hill, 1993)¹⁶. The average literacy of minorities in India for female is 76.16 and average male minority literacy rate is 85.51 percent showing the gender gap of 9.35 percent, whereas the national gender gap is 16.25 %. This indicates that literacy is more among the minorities than non-minorities in India. The large gender gap in literacy among the Hindus and the Muslims was an outcome of their low female literacy rates. The Muslims recorded the lowest female literacy rate (62.04 per cent), preceded by the Hindus at 64.34 per cent. The low female literacy among the Muslims has been due to the socio-economic reasons rather than the religious one. Poverty and illiteracy went together and it was a fact that Muslims in India were relatively poor (Engineer, 1994)¹⁷.

URBAN –RURAL AND MALE - FEMALE GAP IN LITERACY AMONG MINORITIES

TABLE 4: URBAN-RURAL MALE FEMALE LITERACY RATES AMONG MINORITIES IN INDIA

Religion	Urban				Rural				Overall Urban and Rural Literacy gap
	Total	Male	Female	Urban Male & Female Literacy gap	Total	Male	Female	Rural Male & Female Literacy gap	
Hindu	85.28	90.70	80.01	10.69	68.72	78.00	57.73	20.27	16.56
Muslim	76.48	80.89	71.81	9.08	63.04	70.43	55.35	15.06	13.44
Christians	92.90	94.75	91.15	3.6	78.69	82.87	74.58	8.25	14.21
Sikh	86.51	89.46	83.25	6.21	70.92	76.22	65.14	11.06	15.59
Buddhism	87.26	92.3	82.09	10.21	76.70	85.25	67.80	17.45	10.56
Jainism	96.47	97.61	95.30	2.31	88.86	93.53	83.33	10.20	7.61
Others	81.30	86.65	76.17	12.48	59.71	70.84	48.66	22.18	21.59
India	84.11	88.76	79.11	9.65	67.77	77.15	57.92	19.23	16.34

Source: Authors Calculations based on census of India registrar General of Census 2011 survey.

Table 4 shows the rural urban male and female literacy rates and it is revealed that all the major religious groups showed wide gap in their urban- rural literacy rates. The literacy rate is higher in the urban areas as compared to literacy rates of the rural among all the religious groups including minorities. Literacy, like other innovations, originates in urban places and diffuses subsequently into the countryside; the process of literacy begins in the town and trickles down to the village (Krishan and Shyam, 1978)¹⁸. However, the Hindus recorded the widest gap between their urban and rural literacy rates (16.56) and the narrowest was among the Jains (7.61). This could partly be explained in context to the need for education in rural areas being the lowest among the Jains and the more among the Hindus & Muslims. Moreover, it seemed that the Jains residing in rural areas were economically more capable as compared to their Hindu & Muslim counterparts in imparting education to their children. Moreover, the Jains were wealthy and were one of the first religious groups to take advantage of western education. Furthermore, a high proportion of Jains (96.47 per cent).

Literacy among the Jains had deeper roots as they were exposed to the preaching of their wandering monks who would deliver lectures on religious scriptures wherever they stayed. Hence, as a community the Jains had enough incentive to read and write (Gopal, 2010)¹⁹. The high literacy rate of the Christians was largely due to the role played by the Christian missionaries for the spread of literacy. Besides this, the Christians spent higher amount of their household income on education than did the Muslims and the Hindus, thus, signifying that Christians were well aware of the benefits of education (Singh, 2003)²⁰.

The high literacy rate among the Buddhists was largely due to the social reform movement (Neo-Buddhist Movement) that increased the functional value of education. The high literacy rate among the Sikhs could be traced back to the historical factors such as an early exposure to education, large scale recruitment of the Sikhs in the British army, social reform movements (like the Arya Samaj Movement and the Singh Sabha Movement) and the formation of the Chief Khalsa Diwan. Moreover, a high proportion of Sikhs were concentrated in the state of Punjab that not only allowed but also encouraged the Christian missionaries to undertake educational projects in the state (Government of Punjab, 2004)²¹ and was characterized by a widespread network of educational institutions, high rural connectivity, large scale emigration that enhanced the value of education and high per capita income (an outcome of Green Revolution). Interestingly, the Muslims were the only religious group which had a literacy rates in rural and urban lower than the Hindus (table 4). The reasons usually suggested for the educational backwardness of Indian Muslims could be broadly grouped under three main heads: (i) religious traditionalism and backwardness of those professing Islam, (ii) partition of India and the psychological crisis of identity it created for Indian Muslims, and (iii) the deliberate neglect and discrimination against the Muslims by the majority (Hindu) society which professed to be secular but was, in fact, discriminatory whether in education or employment (Kamat, 1981)²². Moreover, the traditional Islamic injunction restricting girls to go in for education in public places or institutions-especially higher coeducational institutions-still seem to guide the minds of most of the Muslim parents (Ruhela, 1998)²³. The Hindu, the Christian and the Sikh communities had set up a network of good educational institutions which provided general and professional education. The Muslim community had failed to set up such institutions in large numbers to provide its youth with modern education (Halan, 2007)²⁴.

DECADAL CHANGE IN LITERACY RATIOS OF MINORITIES IN INDIA

Decadal changes in the literacy rates in rural and urban India has been explained in table 5 among all the religious groups including minorities:

TABLE 5: DECADAL CHANGE IN LITERACY RATIOS OF MINORITIES IN INDIA

Minorities	Rural			Urban			Rural+ Urban		
	2001	2011	Increase	2001	2011	Increase	2001	2011	Increase
Hindu	59.06	68.72	9.66	81.32	85.28	3.96	65.1	73.27	8.17
Muslim	52.73	63.04	10.31	70.07	76.48	6.41	59.1	69.01	9.91
Christians	74.73	78.69	4.14	90.90	92.90	2.00	80.3	84.53	4.23
Sikh	64.21	70.92	6.69	883.56	86.51	2.95	69.4	75.39	5.99
Buddhist	66.93	76.70	9.77	81.60	87.26	5.66	72.7	81.29	8.59
Jainism	87.47	88.86	1.39	96.13	96.47	0.34	94.1	94.88	0.76

Source: Authors Calculations based on census of India registrar General of Census 2011 survey

Table 5 shows the decadal change in rural and urban literacy population among the religious groups including minority and indicates that in rural area Muslims have improved their literacy rates by 10.31% as compared to previous census, Similarly Buddhist also improved by 9.77%. Further it has also observed that all minorities' classes have improved in 2011 census as compared to previous census but the rate of change is more in Muslims literacy in rural India. This shows that the Muslims are in awareness nod and sending their children in school, Madrashes etc. Similarly, the Muslim literacy is increased at faster rates in (6.41%) and among Buddhist by (5, 60%) in urban India in 2011. This shows that the peer group of these two minorities are giving better guidance for getting education as the literacy is the main weapon for growth and development. The overall scenario is also similar to rural and urban literacy decadal change rates. In overall Muslim have shown literacy growth in 2011 census by 9.91%, Buddhist by 8.59%, whereas marginal improvement is observed in Jainism (0.76%) and Christians (4.23%). This is also due to the fact that there exists a wider scope of improvement in Muslim, Buddhist, & Sikh minorities but the scope of improvement is very limited in Jainism and Christianity, because they have already in a better literacy rates in rural and urban India.

POVERTY

Poverty in India is big issues for Government to Measures Exact numbers of poor people and per capita expenditure various methods had been adopted by Government of India. India official poverty estimates are based on the thick rounds of the consumption expenditure survey carried out after every five years by the NSSO. The thickest round for which data are available is 2004-05. The official measure of Indian government, before 2005, was based on food security and it was defined from per capita expenditure for a person to consume enough calories and be able to pay for associated essentials to survive. Since 2005, Indian government adopted the Tendulkar Methodology (TM) which moved away from calorie anchor to a basket of goods and used rural, urban and regional minimum expenditure per capita necessary to survive. The Planning Commission has been estimating the number of people below the poverty line (BPL) at both the state and national level based on consumer expenditure information collected as part of the National Sample Survey Organization (NSSO) since the Sixth Five Year Plan (World Bank Report 2011)²⁵

Planning commission has established many committees i.e., Alagh Committee (1977), Lakdawala Committee (1989), Tendulkar Committee (2005), Saxena committee, Hashim Committee & C. Rangrajan Committee (2012) for the determination of poverty line in India. Out of these Tendulkar committees was considered by the Planning commission for estimation of poverty in India. However the Report submitted by the C. Rangarajan also viewed by the Planning Commission. A committee chaired by Suresh Tendulkar, the India's finest economists, former chairman prime Minister's Economic Advisory Council and National Statistical Commission computed poverty lines 2004 -05 on the lines equivalent in purchasing power parity (PPP) in terms to, one U.S. dollar per person per day, which was internationally accepted poverty line (IAPL) at that time. PPP refers to a method used to work out the money that would be needed to purchase the same goods and services in two places across countries, this is used to calculate an implicit foreign exchange rate, the ppp rate has the same purchasing power parity in different countries (Mihir Shah 2013)²⁶.

India's new Below Poverty Line estimate based on the Tendulkar Committee Report (Sachin Kumar Jain 2016)²⁷ has accepted by the Planning Commission. These estimates count 41.8% rural and 25.7% urban families as Below the Poverty Line (BPL), rejecting earlier and other estimates. Tendulkar, an economist, had devised the formula to assess poverty line in 2005, which the Planning Commission had used to estimate poverty in 2009-10 and 2011-12. Tendulkar Estimates (2009 reports) reveals the urban poverty line per day per person Rs 33, urban poverty line per month, per person Rs.1000/-, rural poverty line per day per person Rs.27, rural per month per person poverty line Rs.816. The calorie consumption predicted 2400 for rural and 2100 for urban. Poverty line is based on the expenditure on food, health, education and clothing. The estimates reveal that 27 crores Indians are below poverty line. Since 1950, various governments have experimented with a large number of poverty alleviation programmes. Studies (James D. Wolfensohn, 2000)²⁷ reveal that the mandatory and dedicated subsidized programmes have not been fully successful in meeting their social and economic objectives. The common features of these programmes were: target orientation, based on grant/subsidy and credit (Rdommes Swami Nathan, 2007)²⁸ linkage through banks, these programmes, often not sustainable, have perpetuated the dependent status.

POVERTY AMONG MINORITIES GROUPS IN INDIA

Poverty ratios for five distinct religious groups: Hindus, Muslims, Sikhs, Christians and Jains has been shown in table 6 below. Due to small sample size, the estimates for Zoroastrians as a separate group cannot be reliably estimated and are not reported.

TABLE 6: PERCENTAGE POVERTY BELOW TENDULKAR LINES

Religion	Rural			Urban			Rural + Urban		
	2004-05	2011-12	Reduction in poverty	2004-05	2011-12	Reduction in poverty	2004-05	2011-12	Reduction in poverty
Hindu	42.1	25.6	16.5	23.1	12.1	11.0	37.5	21.9	15.6
Muslim	44.5	26.9	17.6	41.8	22.7	19.1	43.6	25.4	18.2
Christians	28.7	22.2	6.5	14.1	5.5	8.6	24.5	16.4	8.1
Sikh	21.7	6.2	15.5	9.5	5.0	4.5	18.9	5.9	13.0
Buddhist	65.8	43.8	22.0	40.4	31.0	9.4	56.0	38.4	17.6
Jaiism	10.6	0.7	9.9	2.7	1.9	0.8	4.6	3.3	1.3

Source: Authors Calculations based on census of India registrar General of Census 2011 survey.

Table 6 shows that in rural India the poverty has been reduced in all the religions from 2004-05 to 2011-12. The highest poverty decline has been observed in Buddhist by 22.2 percent followed by Muslims 17.6%. The poverty among the Jainism is very meager (0.7%) in rural area. The poverty in overall in rural India has reduced during the periods from 41.8 percent to 25.4 percent. In urban India the poverty falls out ratio is higher in Islam with 19.1% followed by Hinduism by 11%. The poverty is very least among Jainism in Urban India 2011-12 (1.9%). Overall poverty has been declined at faster rates from 25.7% to 13.7% in urban areas. The collective reduction of poverty in rural and urban areas show a reduction among all the minorities and non minorities, but the poverty reduction is more among Muslims (18.2) and among Buddhist by (17.6). The average reduction of poverty in five minority's classes is 11.64%. Jain population has very little poverty. Finally, the differences in poverty rates between Hindus and Muslims have been negligible in the rural areas. Therefore, the common impression that poverty reduction rates are significantly higher among Muslims than Hindus is largely based on observations from the urban areas.

LITERACY AND POVERTY RELATIONSHIP

The relationship between poverty and literacy has been defined in table 7. The shows the percentage change in literacy and parentage change in poverty among the minorities in India. However, the Hindu religion is also considered for the comparison.

TABLE 7: TRADE OFF BETWEEN LITERACY RATIO & POVERTY RATIOS AMONG MINORITIES IN INDIA

Minorities	Rural			Urban			Rural + Urban		
	Literacy (2001- to 2011)	Poverty (2004- 2011)	Coe. of Corr.	Literacy (2001- to 2011)	Poverty (2004- 2011)	Coe. of Corr.	Literacy (2001- to 2011)	Poverty (2004- 2011)	Coe. of Corr.
Hindu	+9.66	-16.5	r = - 0.25	+3.96	-11.0	r = - 0.85	+8.17	-15.6	r = - 0.98
Muslim	+10.31	-17.6		+6.41	-19.1		+9.91	-18.2	
Christians	+4.14	-6.5		+2.00	-8.6		+4.23	-8.1	
Sikh	+6.69	-15.5		+2.95	-4.5		+5.99	-13.0	
Buddhist	+9.77	-22.0		+5.66	-9.4		+8.59	-17.6	
Jaiism	+1.39	-10.0		+0.34	-0.8		+0.76	-1.3	

Source: Authors Calculations based on census of India registrar General of Census 2011 survey

The Correlation analysis between the changes in literacy rates from 2001 to 2011 and changes in Poverty rates from 2004 to 2011 have been measured in table 7. These correlation coefficients have been measured among the Hindu, Muslim, Christians, Sikh, Buddhist, and Jain faiths in their literacy and poverty changes in variables in two different periods in rural, urban and rural plus urban areas respectively. The correlation coefficient is calculated with Karl Pearson formulae of coefficient of correlation. The correlation analysis between the changes in literacy rates and changes in poverty rates variables have been calculated for rural areas (-0.25), for urban area (-0.85) and for both rural plus urban areas (-0.98). This shows that there is a negative correlation between these two variables. Which shows that when literacy increased poverty declines in every sector i.e., rural, urban, and in both, but the degree of relationship is different in different areas. Thus, we can conclude that increase in literacy has a positive impact in poverty reduction.

CONCLUSION

Minorities have been defined in Indian Constitution (NCM) on the basis of the religion as the minorities on languages become impractical. The protection of these minorities has also been provided in Indian Constitution. At present Muslims, Christians, Sikh, Buddhist, Zoroastrians and Jainism are in minority classes in India due to their lower number in Indian Population. Literacy plays an important role in the poverty eradication. Literate person can understand the basic problems and can contribute in the social- economic development. It has been observed in this research paper that as soon the literacy ratio among the minority classes increases poverty automatically decreases. The negative correlation coefficient has been observed in rural and urban literacy and poverty. Hence it is concluded that literacy is a best tool for poverty elevation in India.

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CUSTOMER CENTRICITY: A MULTIDIMENSIONAL PERSPECTIVE

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ABSTRACT

This paper talks about customer centric as a concept and how it differs from product centric approach. Further it discusses that we should analyse the worth of the customer and then should price the offering accordingly. Also, it discusses customer centricity in retail and manufacturing sector and how customisation has become the essence of customer centricity. In addition to this Core principles to be kept in mind for redefining customer relationships are discussed. Various attempts by companies at being customer centric by companies has been discussed along with the case study of Best Buy.

KEYWORDS

customer centricity, customised packages, product centric approach, customisation.

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1. INTRODUCTION

Most companies today claim to be customer centric. But in reality, they may not have the traits to be called as customer centric companies. “So, what distinguishes customer-centric organizations from other companies that proclaim their customer focus? In short, they’ve moved beyond lip service and re-oriented their entire operating model around the customer, increasing customer satisfaction and their own profitability in the process. Customer-centric companies understand not only what the customer values, but also the value the customer represents to their bottom line. They align their operating models behind a carefully defined and quantified customer segmentation strategy and tailor business streams—product development, demand generation, production and scheduling, supply chain, customer care, etc.—to delivering the greatest value to the best customers for the least cost.” (Egol *et al.* 2004, pg. 1)

2. OBJECTIVE & RESEARCH METHODOLOGY**Objective**

To understand what is customer centric approach and how is it different from product centric approach. To look into what companies are doing to become customer centric.

Research Methodology

The paper is based upon the secondary data, which is collected from published reports, journals, magazines, websites etc.

3. COMPARISON OF PRODUCT CENTRIC AND CUSTOMER CENTRIC APPROACHES

Product centric approach is being used by companies since long but customer centric approach is relatively newer. Product centric approach has a focus on designing a product and selling it to whoever wants to buy. It lays emphasis on product features and advantages. Organisational focus is on new product development and performance metrics are number of new products sold and profitability per product. (Shah *et al.* 2006)

Whereas in a company having customer centric approach will understand customer needs and then work on satisfying it. Employees become customer advocates that is they become the voice of consumer inside the company. Here customer satisfaction is the performance metric. The difference between the two has been presented in a tabular format below: (ibid.)

TABLE 1

BASIS	PRODUCT CENTRIC APPROACH	CUSTOMER CENTRIC APPROACH
BASIC PHILOSOPHY	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
BUSINESS ORIENTATION	Transaction orientated	Relationship oriented
PRODUCT POSITIONING	Highlight product features and advantages	Highlight product's benefit in terms of meeting individual customer's needs
ORGANISATIONAL STRUCTURE	Product profit centres, product managers, product sales teams	Customer segment centres, customer relationship managers, customer segment sales team
ORGANISATIONAL FOCUS	Internally focused, new product development, new account development, market share growth, customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
PERFORMANCE METRICS	Number of new products, profitability per product, market share by product/sub-brands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
MANAGEMENT CRITERIA	Portfolio of products	Portfolio of customers
SELLING APPROACH	How many customers can we sell this product to?	How many products can we sell to this customer?
CUSTOMER KNOWLEDGE	Customer data are a control mechanism.	Customer knowledge is valuable asset.

Source: (*The path to customer centricity* by Shah, Rust, Parasuraman, Staelin & Day, 2006, Journal of Service research, Pg. 115)

4. ANALYSING THE WORTH OF YOUR CUSTOMERS

Many of the companies are unable to strike right balance between service and profits. Traditional profit and loss accounts prepared by the companies are unable to give a clear picture of how much contribution each customer makes. Different departments like sales, marketing, and logistics are not necessarily aligned to best serve the customers that are more profitable. Like for e.g. in an airline the logistics manager cuts 40% freight to meet internal cost target. But there might be customers who were willing to pay more for expedite goods delivery and hence the organisation loses money as well as customers. So, doing this you might win the battle of achieving internal cost targets but loose the war of overall profitability. (Heller, 2015)

But there is a silver lining. Now with digital technology and advanced data mining techniques you can get a picture of customer transactions, interests and activities. And their insights can be deeply embedded in the very fabric of company. A 360 – degree approach to manage customer is very much effective to gauge overall profitability of a customer. (ibid.)

While studying customer not only focus on the price paid by the customer but also how much the company is giving back in terms of promotions, discounts and rebates. Also examine the costs incurred to serve each customer like how much warranty claims exercised, how often it calls up the call centre and the channel they use. By digging deeper at the micro level, you can know customer expectations better and about the drivers of profitability. (ibid.)

The data is not only collected by ERP and CRM systems but can also be collected through call centre calls and financial spreadsheets. On the analysis of the data the gaps can be identified and can be worked upon. The insights gathered at the end might challenge long held beliefs like the customers signing large contracts might turn out to be contributing negative margin and the customers to whom less marketing efforts are being directed might turn out to be more profitable. (ibid.)

5. CUSTOMER CENTRIC PRICING

The price charged by the company should be in tandem with the value. Proposition offered by the company. It will reduce the consumer surplus and enhance incremental profits for the company. And if the alignment is not there than brokers will mediate and squeeze out the profits.

The process of consumer centric pricing consists of following steps:

1. Identify important customers segment.
2. Segment by buyer behaviour Example: airlines charge high price for last minute booking and low price for advance booking.
3. Evaluate customer perception of values for each segment. Under this not only tangible attributes of products are taken into consideration but also the intangible attributes like status, pride, loyalty etc. Brand loyalty can help in customer retention and creating competitive barrier. Also, it can help in charging premium prices. The information regarding the perceived value is found by surveys by most of the firms. The focus should be on the consumer actions and not words. Because usually there is a difference between what they say and do.
4. Provide unique bundle of product/service to each segment and charge for it. Hence in customer centric pricing both the parties (consumer and producers) are better off. (Bolton, 2005)

With the Advancement in technology and communication along with tremendous growth in data and information, the global consumer has become more powerful.

Core principles to be kept in mind for redefining customer relationships are:

1. Understanding customer's present needs and then making a forecast of future needs to build a connection with them.
2. Redefine the relationship with customer - move from product centricity to consumer centricity.
3. Understand customer needs and then collect information and use it for competitive advantage.
4. Increase productivity to gain a competitive advantage--Use technology and bring efficiency in operations.
5. Diversification of sources of revenue. Collaborating with new partners across the value chain

(Ernst & Young, 2013)

6. CUSTOMER CENTRICITY IN RETAIL AND MANUFACTURING

It will be difficult for the retailers to survive without having a fundamental change in the approach as the market is changing rapidly with increasing competition, tremendous brand choice, new channels are emerging. Among this growing market noise, the consumer has become more aware and empowered. In order to stand out retailers are relying on price; to differentiate their product from competitors. But this is not a sustainable or viable long-term strategy. (Ross, 2009)

Seeing the changed economic environment consumer is emerging as the kingpin in the market. So, in this new market environment retailers and manufacturers are adopting consumer centric marketing strategy and have realised that customer is the greatest asset and satisfying him will provide them competitive advantage. (ibid.)

"Customer centricity is an enterprise-wide strategy to fully leverage consumer insights to drive integrated strategies – across marketing, merchandising and operations – aligned to priority consumers." (ibid. p 450)

This strategy is based on the fact that not all consumers are equal. But there is a relatively small group of consumers that contribute to maximum revenue. Consumer centricity is about identifying these customers and satisfying their needs by aligning your pricing, promotion and other marketing activities around fulfilling of their needs. Those days are gone when customers use to go to nearby shops and buy the bread, butter or milk available there. Now the consumers have plethora of options from toned to full cream, organic or soy milk. The competition for the share of wallet has intensified. To differentiate; a firm must shift focus to a customer centric approach. There exist a significant number of challenges in implementing this approach like organizational resistance, budget constraints, inadequate training and poor access to data. (ibid.)

7-I. IN RETAIL

7.1.1 Retailers need to commit now to succeed at customer centricity. The sooner an organisation embraces customer centricity, sooner it will be able to see the impact.

Customer centricity is not only about getting insights from the customer to better something you are already doing. "It is about changing what you do and how you do it, based on the needs of your priority consumers. This type of change requires real executive commitment and organizational alignment." (ibid. p 451)

Tips to retailers

"Establish executive commitment: A successful consumer centric strategy always starts at the top. Apply insights cross-functionally

Insights should impact key decisions across marketing, merchandising and operations. Enable organisational change. Establish the right data, tools, processes and communications from the start. What gets measured gets managed. Quantify success using consumer centric measures. Collaboration is critical: Ultimately, the consumer is at the centre, deciding what to buy and where to buy it. Through collaboration, retailers and manufacturers will derive the full benefit of customer centricity." (ibid.)

Collecting insights from the consumer is only half the battle won.

Execution is all that matters. Merely collecting of the data does not serve any purpose. The process between collection and execution of data is quite challenging. Collecting and interpreting the data is a fundamental step in customer centricity.

But what is more relevant is the application of the collected data across the organisation and using it for making better pricing, promotion and distribution decisions. Applying the insight will give the firm a first mover advantage. (ibid.)

Accountability at all the levels of the organisation

There has to be firm belief in customer centricity at all levels and verticals of the organisation. Most of the times it happens the organisation is able to tap senior officials to lead customer centric efforts but is not able to align the organisation and implement the desired change. For example, if managers are continued to be evaluated on the basis of sales figure and volume, rather than customer satisfaction than they are unlikely to include consumer in their focus. (ibid.)

Updated metrics will provide true benchmark in measuring consumer- centric progress

Except using sales and profit figure it is difficult to measure performance in retail.

They are the broad indicators of company performance but the focus needs to be laid on are the reasons why the company performed well, identifying the profitable segments and capitalizing on them and rectifying the lagged segments. It is well known that consumer centric programs are benefitting the retailers. But to quantify these benefits, retailers need to shift to more consumer – focused measures and make them accessible to entire organisation. For this purpose, consumer centric scorecards and performance measurement tools can become strategic planning tools for measuring the success of initiatives. (ibid.)

Collaboration is must

Both the retailers and manufacturers play a critical role in product, pricing, promotion and distribution decisions hence collaboration has to be there. While both retailers and manufacturers may have different objectives but consumer is the common thread that brings them together. By sharing consumer insights, they can better serve consumer needs by serving the right product at the right time. Like retailers can specify the requirements of their best consumers and manufacturers can accordingly bring innovation. This leads to synergy between the two parties and a strong base for consumer centricity. (ibid.)

7-II. IN MANUFACTURING**7.2.1 Manufacturers are at the crossroads of customer centricity**

Timing is very much important. If the manufacturers commit to consumer centricity earlier they will be able to reap first mover advantage.

Like retailers, manufacturers need to apply consumer centric insights throughout the organisation. Those who are able to apply data and insights effectively are able to distinguish themselves from the pack. As retailer label products are gaining preference; it leads to a threat to manufacturers. However, it is an opportunity as retailers are looking for quality brands. Hence it becomes more important to the manufacturers to understand consumer needs. (ibid.)

7.2.2 Holistic approach

Consumer centricity is not a one-dimensional phenomenon. It requires a fundamental change in approach and integration within the organisation and with the retailers as well. The time to invest in consumer centricity is now. Otherwise if the competitors gain ground it will be difficult to catch up. For manufacturers it is more complicated because they need to sync their strategies with individual retailers. (ibid.)

Set the stage by getting right support and putting appropriate process and tools in place

Manufacturers are strongly committed to consumer centricity but the concept is relatively new; so, they are figuring out ways that will drive results.

The most challenging part for manufacturers is to gain access to data (40%), and then followed by getting analysis on time (32%) and lastly the incorporation of insights (32%). So, with right organizational change, executive commitment, right people and tools need to be put at the right place. (ibid.)

Develop new measures jointly with retail partners

Sales and profit have been the traditional metrics to measure performance. Now a new measure needs to be developed to measure consumer centric strategy's success. The metrics can be increased brand purchase frequency and brand penetration. The sharing of information among retailers and manufacturers becomes critical. (ibid.)

Collaboration is critical

Retailers have the POS data. However, manufacturers have insight on brand purchase behaviour and changing needs. So, data sharing benefits both. Also, both may have different objectives but customer binds them. (ibid.)

CONCLUSION

Studies have shown that 70 percent of the choices that consumers make about which brand to buy are made at the moment of purchase, in the aisle. Understanding these second brand decisions, both manufacturers and retailers should study consumer behaviour. "Consumer centricity is truly complete when there is synergistic collaboration between the two parties." (ibid. p 454)

7-III. CUSTOMISATION – ESSENCE OF CUSTOMER CENTRICITY

To survive in this global competitive world there is no escaping from customisation. And a lot of companies have realised it. They are coming up with innovative ideas to satisfy their customers. Here are few instances.

7.1. Global food chain Wendy's customised Indian flavours

Wendy's – America's leading global burger chains made debut in India by opening an outlet in Gurgaon. To cater to India's taste buds, it has come out with square patty, spicy aloo crunch and paneer salsa. It has customised its menu to cater to local needs. (PTI, 2015)

They are using locally sourced ingredients like "ghost chillies" sourced from Nagaland and are among the hottest chillies. Also, it has paneer and cottage cheese on its menu to suit north Indian taste buds. Wendy's is globally known for its beef burgers. But due to recent ban on red meat in many Indian states it chose to stay away from negative publicity. (ibid.)

7.2 Online fashion firms like Creyate, Korra, DenimCraft & others offering customised products to customers

Readymade garments have become so popular with consumers and have led to many tailors out of their business. But there are still some people who do not like ill-fitting clothes and always crave for the perfect fit. Among these consumers who can afford are moving towards international players to satisfy their needs abandoning desi options. (Roy, 2015)

Now more and more local companies are coming up to offer customised – bags, apparels, shoes, accessories and denims. Now you can create your wardrobe online. On the Creyate website, set up by Arvind internet Ltd (AIL) customers can get their denims, suits and shirts customised. They can ask for a tailor who comes to their house and can take measurements. (ibid.)

7.2.1 The website offers a wide variety of size, cuts, fabrics, stitches and other details to create an outfit. (ibid.)

7.2.2 "For people to understand the concept, we have retail stores that are like the brand museum. The store greets a passer-by using our 'magic mirror' that has inbuilt augmented reality technology which superimposes the person's body interacting with the mirror and via hand gestures, one can make their looks using Creyate products on the mirror," said Tejinder Singh, chief operating officer at AIL. (ibid.)

7.2.3 To customise products the stores are equipped with iMac stations. (ibid.)

"16 stitches" (name of a company) based in Mumbai offers online personalisation of shirts. Websites like Korra designs denims; the denims are numbered and marked with tailor's signature to ensure traceability. They sell 200 denims every month. Mumbai based Toteteca Bag works, designs bags using faux leather. It says that offers a positive alternative to animal cruelty. (ibid.)

Dnuvo, Delhi and NCR based lets the customer design their shoes and to choose from wide variety of leather. The shoes start from Rs. 2000. Not only Indian consumers but consumers from abroad also want to shop from India as the products are more creative and inexpensive. (ibid.)

Ingram Micro in talks with mobile vendors, telcos for customised insurance plans.

Wholesale technology product distributor, Ingram Micro is in talks with telecom operators and handset vendors to provide customised insurance plans to new smartphones user. (Khan, 2015)

The company is a distributor of Apple, HTC, Samsung, Lenovo and Blackberry.

In the customised plans, low cost devices would be covered for theft and liquid damages, while high end devices will come with additional facilities like pick and drop service, antivirus and downloads from sites like hungama.com. (ibid.)

The company recently launched cover plus protection pack for smartphones and tablets which lets the customer to extend warranties on their premium phones which is over and above the warranty offered by manufacturer. The plan has two categories- gold and platinum. (ibid.)

7.4 Start-ups like Augrav, Velvetcase.com, Cremagine3dlabs innovate with 3D jewellery printing

In India, 3D printed jewellery is a niche and a hobby sector. But globally it is used for mass customization. (Ganguly, 2015)

Start-ups are relying on customisation to entice customers. Augrav, which is only six months old, customises jewellery for a premium. "The cost goes up by 25-50% of the gold, for creating new mould for each customer. However, the product is unique and there is a lot of back and forth on the design front with the customer," says founder Vivek Krishna. (ibid.)

Some start-ups send the model of the jewellery to customer to help them make final selection. "We want to give our customers an idea of touch and feel for the finished products and (so) ship a 3D-printed model in resin within three days," says Kapil Hetamsaria, founder and chief executive of Velvetcase.com, which owns a 3D printer to create prototypes. (ibid.)

Customer can check the fit and then make the final order. These start-ups are looking for market for affordable jewellery. (ibid.)

Sky is the limit for customised holidays: Demand from the new Indian traveller are forcing travel operators to overhaul product designs

The new Indian traveller is asking for customised packages forcing the tour operators to change their product design. (Pathak & Phadnis, 2014)

“Regular sightseeing has been replaced with experiences that one can gain. This is being fuelled by a combination of awareness and social media. People want to do cool and different things. So, there is a shift from, say, going to 10 destinations in 10 days to how-do-I-get value. Mono destinations are in and travellers are coming to us with a set of experiences that they want delivered,” said Abraham Alapatt, Chief Innovation Officer, Head, Marketing & Customer Service at Thomas Cook India Limited. (ibid.)

Social media is the main reason for this change. Customers have prior knowledge and they come to the tour operators well researched. Tour operator’s group various products to create one product. Like sometimes the operators only do the booking for the given destination and accommodation is arranged by the traveller himself. Thus, traveller gets the concession under group booking and can spend the money in sight seeing, street food etc. (ibid.)

The customisation charges can cost up to 10-20% more than an average packaged tool. As they have to work with tourism departments and seek their help in organising trips. (ibid.)

7.6 A slice of goodwill

“A civic minded approach long has been a winning business strategy, but community-oriented efforts have become prime differentiators. Consumers want to give their money to companies that give back.” (Birkner, 2015)

A pizza studio based in Los Angeles came with an idea where customer could select toppings and customize their pizza. It came up with a tagline “create your own masterpiece. More and more people wanted to customise their pizza and took pictures of them and posted online. (ibid.)

The Pizza studio’s had a “starving artist” wall, which displayed work by local artists for sale. Contact numbers were put along with the pictures so that customers can directly buy from them. And pizza studio did not take commission on it. (ibid.)

They also had “starving artist” menu with same pizza’s designed by local artists and with same ingredients but offered at a lower price to serve customers with low budget. This starving artist campaign was promoted through signage and online on social media channels. This program has attracted new customers, business opportunities and has boosted employee morale. People like to come again and again to try new masterpieces and it also has attracted new franchisees to their business. (ibid.)

8. CASE OF “BEST BUY”

The customer centricity approach came in light in late 2002. Best buy CEO Brad Anderson attended a seminar held by Professor Larry Seiden (former Columbia University’s head) who said that best buy is one of the most profitable US co. but its performance is not as much profitable as it should be. Anderson’s initial reaction was “I was in denial”. Later the company worked on customer centric approach and segmented customers in 5 segments and code named them. (Smith & Steve, 2004)

Barry- the affluent professional who demands the latest technology and best service.

Buzz- the active, young male consumer who wants technology and entertainment.

Ray- the family man who wants technology that improves his and his family’s life.

Jill- the busy sub urban mom who wants to enrich her children’s lives with technology and entertainment

And no name here, just the small business customer who can use best buy’s products and services.” (ibid.)

Training was provided to employees to focus on different segments of consumers. Most of the CEOs you talk today will not say that their firm is not customer centric and this is where the mass delusion lies. To make sure, companies set up department to survey their customers. But what happens is ‘Garbage in Garbage out’. They judge their performance in terms of their offerings. (ibid.)

Questions like Do you like product X?, how can we improve service y?, how much receptive you will be for our new product? Are asked. But this will not give you information about your customers. (ibid.)

“Becoming customer centric means looking at an enterprise from the outside in rather than the inside out- that is – through the lens of customer rather than the producer.” (ibid.)

It is about understanding customer problems and providing a solution to them. Best Buy applied the approach and has survived the evolving consumer electronics market place whereas Circuit City went out of the market. It put effort in identifying who its customers are, what they want and started selling solutions instead of products. (ibid.)

In its research Best Buy found out that 55 % of its customers who were women didn’t like the shopping experience at the retailer. Men look for discount price. Women are more concerned with the accessories than price. Also, women want help in installation while men like to install themselves. (ibid.)

It understood customers’ problem and applied solutions. It bundled related products together. For installation it hired Geek Squad. The most important part is moving from awareness to action. It is the final and the most critical element of customer centricity: implementation. It does not happen on its own. It takes a lot of effort. (ibid.)

Even when the employees try to gather what the customer expects they find themselves caught in organisational silos. Specialisation, division of labour and departmentalisation is a necessity. But most of the organisations are structured around products and there is less focus on customers. (ibid.)

In case of Best Buy they know that bundling products was the answer but it required adjusting distribution channels, creating more space and training employees to serve as shopping assistants. (ibid.)

9. CONCLUSION

Customer centricity is about change in mindset first and then about the processes and tools deployed. It is the understanding of evolving customer needs rather than development or 3rd and 4th generation tools. Customer centricity is much broader than just understanding needs, behaviour and preferences of customers. These are just a building block toward customer centricity. It basically involves change in strategic thinking at the top level and development of products/services and solutions at ground level. The ultimate goal should be to stay close to consumer. (Roll, 2015)

“BMW practices excellence in customer centricity by creating experiences for its key customer groups (for example, VIP parking at the major events, factory tours in Germany, BMW magazine subscriptions, exclusive digital access to BMW lifestyle content etc.)” (ibid.)

The essence of customer centric thinking is not only to offer products and services to fulfil their present expectations but also to anticipate their needs and fulfil them. at this point “blue ocean strategies” meet customer centricity. Those industries and products that require constant innovation to differentiate are not just matching needs but are creating new ones. Branded coffee houses were not required to serve coffee, but now the world seems incomplete without them. Cooling systems, remote controlled refrigerators, intelligent home security systems are biggest innovation of the century. These all innovations were not explicit needs before. (ibid.)

Value creation is the base of customer centricity. Selling comes at the end after the value has been proposed as an attractive proposition. The customer centric organisations are skilled at developing products and providing solutions. But creation is not only about coming out with new products. It is about extending products’ value over a broader need spectrum. This is possible only when the organisation has an understanding about continuously evolving customers’ needs. The organisations that can create value are excellent at predicting trends; they know how the product categories will evolve in future. For example: bookstores are able to compete with electronic stores because they are not confined to the books but offer a whole experience around books. (ibid)

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ROLE OF FOREIGN DIRECT INVESTMENT IN INSURANCE SECTOR IN INDIA: AN ANALYTICAL STUDY**PREETI SHARMA****ASST. PROFESSOR****SARASWATI INSTITUTE OF MANAGEMENT AND TECHNOLOGY****RUDRAPUR****ABSTRACT**

International Economic Integration plays a vital role in Economic Development of any country. Foreign Direct Investment is one and only major instrument of attracting International Economic Integration in any economy. It serves as a link between investment and saving. Many developing countries like India are facing the deficit of savings. This problem can be solved with the help of Foreign Direct Investment. Foreign investment helps in reducing the defect of BOP. The flow of foreign investment is a profit-making industry like insurance, real estate and business services and serving as a catalyst for the growth of economy in India. India is no doubt a growth economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing insurance market. Indian insurance industry is one of the sunrise sectors with huge growth potential. Foreign direct investment plays an important role in the economic development of the country. However, the Government is gradually taking steps to open the sector. Due to economic liberalization in India by lowering trade barriers for the free flow of technology, intellectual and financial capital. Thus, liberalization of insurance creates an environment for the generation of long-term contractual funds for infrastructural investments. This paper's objectives are to investigate the Indian insurance industry and review current policy and regulations with a viewpoint of foreign investors so as to gain an understanding of the current position on FDI, as well as an overview of the Indian Policy and Regulatory Environment.

KEYWORDS

foreign direct investment, foreign indirect investment, internal personal disparity, portfolio investment policy, balance of payment.

JEL CODES

F30, G22.

INTRODUCTION

Foreign investment plays a significant role in development of any economy as like India many countries provide many incentives for attracting the foreign direct investment (FDI). Need of FDI depends on saving and investment rate in any country. Foreign Direct investment acts as a bridge to fulfill the gap between investment and saving. In the process of economic development foreign capital helps to cover the domestic saving constraint and provide access to the superior technology that promote efficiency and productivity of the existing production capacity and generate new production opportunity.

OBJECTIVES OF STUDY

To know the requirement of amount of foreign investment by India, for its economic Development and to analyze the trend and role of FDI & FII in improving the quality of and availability of goods has been beyond doubt. To analyze all these objectives data has been gathered through secondary sources like reports and publication of Govt. and RBI relating to foreign investment. After analyzing all the facts, it may be concluded that maximum global foreign investment's flows are attracted by the developed countries rather than developing and under developing countries. The specific objectives of the study are as per following:

1. To study the significance of FDI in bridging the gap between the saving and Investment.
2. To analyze the impact of FDI in insurance sector in India.
3. To study the issues and challenges of FDI in insurance sector.

RESEARCH METHODOLOGY

The present study is based on the objectives like how much amount of foreign investment is required India's economic growth and to analysis the trend of FDI & FIIs for economic development and how the status of economy has improved after economic reforms. To fulfill all above said objectives data has been gathered from secondary sources like reports and publication of Govt.

The FDI can take any route or form to enter into any nation. The three principal forms of FDI in India are joint ventures, acquisition of assets in a country and Greenfield ventures. According to the international monetary fund, FDI is defined as "Investment that is made to acquire lasting interest in an enterprise operating in an economy other than that of investor.

Foreign investment comes in host country in through various route and many forms. Rather than attracting as much FDI as possible host country governments would be well advised to focus their efforts in inviting the "right" kind of FDI.

Among all various routes the two main routes are:

1. Foreign Direct investment (FDI)
2. Foreign indirect investment (FIIs)

The Inflow of Foreign Investment Comes Through Various Routes.

1. Equity (Government, RBI, NRI, Acquisition, shares, Equity capital of unincorporated bodies); Re-invested earning; other capital.
2. Portfolio investment (GDR/ADR, FIIs, OFF shore funds and others)

ROLE OF FDI IN INSURANCE SECTOR

Even after the liberalization of the insurance sector, the public sector insurance companies have continued to dominate the insurance market, enjoying over 90 per cent of the market share. FDI is the process whereby residents of one country acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country.

A major role played by the insurance sector is to mobilize national savings and channelize them into investments in different sectors of the economy. FDI in insurance would increase the penetration of insurance in India; FDI can meet India's long-term capital requirements to fund the building of infrastructures. Insurance sector has the capability of raising long-term capital from the masses, as it is the only avenue where people put in money for as long as 30 years even more. An increase in FDI in insurance would indirectly be a boon for the Indian economy.

The insurance sector has also been fast developing with substantial revenue growth in the non-life insurance market. Over the years, FDI inflow in the country is increasing. However, India has tremendous potential for absorbing greater flow of FDI in the coming years. The role of Foreign Direct Investment in the present world is noteworthy. It acts as the lifeblood in the growth of the developing nations. The wave of liberalization and globalization sweeping across the world has opened many national markets for international business.

Insurance Regulatory & Development Authority (IRDA) is in favor of an increase in foreign equity capital in the insurance joint ventures. The public sector Insurance companies have continued to dominate the insurance market. India is among the most promising emerging insurance markets in the world.

FDI IN INSURANCE –A HISTORICAL PERSPECTIVE

Insurance in India started without any regulations in the nineteenth century. After the independence, the Life Insurance Company was nationalized in 1956, and then the general insurance business was nationalized in 1972. The LIC had monopoly till the late 90s when the insurance sector was reopened to the private sector. In 1998 the cabinet decides to allow 40% foreign equity in private insurance companies and 26% to foreign companies and 14% to non-resident & investors (FIs) but again in 1999 the committee decides that foreign equity in private insurance should be limited to 26%. In 1999, the Insurance Regulatory and Development Authority (IRDA) were constituted as an autonomous body to regulate and develop the insurance industry. Since end of 2000; While Life insurance has been privatized. Indian Government has opened the entry door for foreign players with a maximum of 26 per cent of foreign holding and private companies in Life insurance sector (World Bank Economic Review 2000). At present there are 44 private insurance companies authorized by the Insurance Act.

POLICY AND REGULATORY ENVIRONMENT

(IRDA) operating in the country. These comprise of 23 life insurance, 17 general insurance and four health insurance companies, since the insurance sector was opened for private sector in the year 2000. These are all joint ventures between the Indian promoters who hold up to 76% and foreign insurance companies who hold up to 26% as mandated by the law.

The government created a specific Board to deal with promotion of FDI in India and to be the sole agency to handle matters related to FDI. The 'Foreign Investment Promotion Board' (FIPB) as it is known, is chaired by the Secretary Industry (Department of Industrial Policy & Promotion or DIPP) within the office of the Prime Minister. Its key objectives are to promote FDI in India with investment promotion activities both domestically and internationally by facilitating investment in the country via international companies, NRIs (non-resident Indians) and other forms of foreign investors.

Key Regulatory Changes are:

TABLE 1

Year	Key Regulatory Changes
1999	IRDA Bill cleared and liberalization of the sector & formation of an independent regulator
2001	IRDA issues Third Party Administrator regulations (TPAs) & foreign players allowed to enter with FDI limit of 26%.
2002	IRDA insurance brokers and corporate agent regulation.
2006	Entry of Standalone health insurance Players allowed.
2007	Creation of Indian Motor Third party Insurance Pool & Price Destratification
2011	Merger Acquisition Guidelines.
2012	Introduction of Declined Risk pool, TP premium increase. FDI in the Insurance Industry, as prescribed in the Insurance Act, 1938

Some of the key legislation that could have a potential impact on foreign investors setting up in India are listed as below:

- (i) Insurance Act, 1938;
- (ii) Life Insurance Corporation Act, 1956
- (iii) General Insurance Business (Nationalization) Act, 1972
- (iv) Insurance Regulatory and Development Authority (IRDA) Act, 1999
- (v) Actuaries Act, 2006

FDI IN INSURANCE SECTOR

All of us are well aware of the recent debate about FDI and whether it should be allowed in India and to what extent! Many experts have many suggestions about the positive and negative effects of foreign direct investment in various business sectors in India. Amongst all the debate and heated discussion, Indian government has just approved 49% of foreign direct investment (FDI) in insurance. Some sectors welcomed this decision with whole heart while the rest have their pensive views about the same. Truly, FDI will definitely going to impact in both positive and negative ways on various sectors in India.

Owing to the steady and fast-growing Indian economy, India has become one of the most famous destinations for foreign direct investments. The rapid growth in all the business sectors in India is reciprocated by liberal trade policies, development in telecommunication and technology, expansion of markets and loosened restrictions from FDI. Indian FDI that started with less than one-billion-dollar baseline has now become the second most wanted foreign direct investment destinations in the world, after China. This is revealed in the recent survey performed by UNCTAD (United Nations Conference on Trade and Development)

BENEFITS OF FDI IN INSURANCE

According to the experts, the benefits of all kinds of FDI investments are likely to be seen only in the future. FDI and its results is a long term process and it will reap the benefits after a few years of initiating it. As we know, the government has approved as much as 49% of foreign direct investments in the Indian insurance sector from 26%. This is an extremely positive sign! Now more and more key players on global insurance market will make their debut in the very active Indian insurance market. Present foreign companies will increase their shareholding, benefiting the investors all the more Indian insurance sector, especially the life insurance sector is totally dominated by the government owned insurance company - Life Insurance Corporation, General Insurance Corporation and several of its subsidiaries. However, with the increased percentage of FDI various private insurance companies are likely to benefit the most. These companies include Max, Reliance Life, Aegon Religare, Birla Sun life, etc.

CURRENT STATUS OF FDI IN INSURANCE SECTOR

Since end of 2000, While Life insurance has been privatized. Indian Government has opened the entry door for foreign players and private companies in Life insurance sector. In the present scenario has revealed 22 Private Life Insurance Companies working in Indian markets, Private life insurance companies have been keeping behind Indian largest public company's (LIC) in an innovative products, smart marketing, and aggressive distribution attracts customer toward the private life insurance companies, sign up Indian customers faster than anyone expected. Indian, who had always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products offer to customers and investment plans. The Life Insurance companies in India have grew by an impressive 36% with premium income in the year 2003-2004 Rs 24.29 billion from new business Rs 253.43 billion during the fiscal year 2004-2005 in this duration have been braving stiff completion from Private Life Insurance Companies. In which LIC has clocked 21.87% growth in business at Rs 197.86 billion by selling 2.4 billion in new policies in the year 2004-2005, but this was still enough the fall. Its market share as Private Player grew 129% Rs 55.57 billion in the year 2004-2005 with annual growth rate 15-20 %, the largest number of Life Insurance Policies in force, the potential of the Indian Insurance industry is huge. The total value of insurance market estimated Rs 450 billion in 2004-2005. The insurance business grow in India 17% in Fiscal year 2008-2009 \$ 30 billion. The country economy clocks GDP 7.6%. In Fiscal year 2007-2008 Life Insurance has been grown up their business 23.3% Rs 930 billion, The Private Life Insurance Companies have made a record first quarter year in 2009, has recorded 13.22% growth in first year premium and 20.36% number of policies increase after the considering to extend the limit of FDI in insurance industry. In the year 2002-03 public company's (LIC) was collected 546228.49 cr. in the comparison with five selected private sector companies there were total collection 733.52 cr. we can discuss in the year 2004-05 while total significant collection of public company was 75127.29 and in a comparative with selected private companies there were total collection of premium around 4402.29 cr. In the year 2007-08 while total collection of public companies was 149789.99 cr. and selected private companies there were total collection of premium 27979.99 cr. In during the last session 2009-10 public company has been collected total premium around 1, 85,985, its comparison of selected private companies, there were total collection of premium 16,495.86 cr. The huge premium collection has increased every financial year that was gearing insurance business in India on fast pace.

EFFECTS ON INDIAN ECONOMY

- Following will be the effect of the increase in the threshold in the Indian economy:
- Firstly, through this Insurance Laws (Amendment) Bill, a rise to 49% will be a composite cap – which means that foreign capital can flow in either as direct investment or via the portfolio route, or as a combination of both. So foreign investors can either directly buy equity from the company or can buy shares on the stock market.
- Secondly, it will lead to hike foreign holding in insurance joint ventures to 49 per cent which means that there will lot of foreign player coming to Indian market for direct investment.
- Thirdly, the laws will also provide for insurance companies to list on stock exchanges, which in turn will lead to barring public sector insurance companies, all other insurance companies will potentially benefit from a higher FDI cap. So, there might be a possibility that public sector undertakings will face huge competition from the private sector undertakings.
- Fourthly, there was huge cry in the Indian market that through this increase there will be a situation where in the Indian entities might lose control but the bill provides that management must remain with India companies and the companies will have to go for approval of the Foreign Investment Promotion Board (FIPB) will be needed on any investment over 26 per cent.
- Fifthly there will be a huge inflow of money once the bill will be cleared in the parliament, which will in turn, infuse a higher foreign direct investment limit in insurance which could result in inflows of Rs. 40,000 crores to Rs. 60,000 crores over time, and immediate inflows of around Rs. 20,000 crores.
- Sixthly the increase in the Cap will help to increase Infra Investment with the help of private players or the foreign entities, in the Indian Market.
- Seventhly, with the increase in the cap, there will be enough chances to bring in new technologies and products in the insurance market, which was not available during the cap of 26%. Public Sector Undertakings were unable to provide enough chances to its customers to invest in their various policies. But now due to increase in the cap, the private entities will definitely provide new policies which will in turn bring lead to opening up the Insurance sector.

PROBLEMS FACING THE INDIAN INSURANCE SECTOR

The government's intention was to create a monopoly and protect it from foreign and private competition. So, what were the implications of such a conservative approach? Insurance sector faced problems such as capital scarcity, poor product quality and technological obsolescence. In the year 2000, life insurance penetration in India stood at an abysmal 2.4%.

- There is a huge lack of proper awareness regarding the need of insurance.
- Insurance premiums are looked at as a means of tax evasion and savings. The true importance of insurance often gets overlooked. In addition to this, India is a country with a huge lower middle-class section. In their daily struggle to try and get both the ends meet, insurance premiums come as a luxury.
- The inflexible and expensive plans offered in the market make it more difficult for the common people to invest.
- The situation in rural India is even worse. A small fraction of the people has bank accounts, and the concept of insurance is very much alien. People have little disposable income, and the only form of life insurance is joint family
- UPA claims that to improve insurance penetration in country additional capital of Rs.60,000 crores required over 2010-2015 based on IRDA projections. Since constraints of Indian partners to currently contribute 74% of capital are a hurdle, foreign partners will contribute if cap relaxed. BUT IRDA Chairman's deposition to Parliamentary Standing Committee itself states these projections are "not very accurate" and "just arithmetic".

Public Sector insurance companies are confident of being able to raise money from domestic capital markets as and when required. No need for hiking cap.

ISSUES IN FDI IN INSURANCE SECTOR

1. **Efficiency of the companies with FDI:** The opening up of this sector for private participation in 1999, allowed the private companies to have foreign equity up to 26 per cent. Following this up 12 private sector companies have entered the life insurance business. Apart from the HDFC, which has foreign equity of 18.6%, all the other private companies have foreign equity of 26 per cent. In general insurance 8 private companies have entered, 6 of which have foreign equity of 26 per cent. Among the private players in general insurance, Reliance and Cholamandalam does not have any foreign equity. The aggregate loss of the private life insurers amounted to Rs. 38633 lakhs in contrast to the Rs.9620 crores surplus (after tax) earned by the LIC. In general insurance, 4 out of the 8 private insurers suffered losses in 2002-03, with the Reliance, a company with no foreign equity, emerging as the most profitable player. In fact, the 6 private players with foreign equity made an aggregate loss of Rs. 294lakhs. on the other hand, the public sector insurers in general insurance made aggregate after tax profits of Rs. 62570 lakhs.
2. **Credibility of foreign companies:** The argument that foreign companies shall bring in more expertise and professionalism into the existing system is debatable after the recent incidents of the global financial crisis where firms like AIG, Lehman Brothers and Goldman Sachs collapsed. Earlier too, The Prudential Financial Services (ICICI's partner in India) faced an enquiry by the securities and insurance regulators in the U.S. based upon allegations of having falsified documents and forged signatures and asking their clients to sign blank forms. A recent report by Mercer Oliver Wyman, a consultancy, found that European life insurance companies are short of capital by a whopping 60 billion Euros. According to the Mercer Oliver Wyman Report the German, Swiss, French and British insurers suffer from severe capital inadequacy, which is a result of undertaking risky investments in equity and debt instruments in the past. Hence FDI in Insurance in India would expose our financial markets to the dubious and speculative activities of the foreign insurance companies at a time when the virtues of regulating such activities are being discussed in the advanced countries.
3. **Greater channelization of savings to insurance:** One of the most important duties played by the insurance sector is to mobilize national savings and channelize them into investments in different sectors of the economy. However, no significant change seems to have occurred as far as mobilizing savings by the insurance sector is concerned even after the liberalization of the insurance sector in 1999. Therefore, the private or foreign participation has not been able to achieve the goal.
4. **Flow of funds to infrastructure:** The primary aim of life insurance is about mobilizing the savings for the development of the economy in long term investment in social and infrastructure sectors. The same vision was argued for the opening up of insurance market would enable huge flow of funds into infrastructure. But more than fifty percent of the policies they sell are ULIPS where the investments go into the equity markets. As report, 95% of policies sold by Birla Sun Life and over 80 percent of policies sold by ICICI Prudential were unit-linked policies. Under these schemes, nearly 50 percent of the funds are invested in equities thus limiting the fund availability for infrastructural investments. On the other hand, the LIC has invested Rs.40,000 crore at in power generation, road transport, water supply, housing and other social sector activities. IRDA figures further imply that the share of the public sector life and non-life insurance companies in investment in infrastructure is greater than their market share. Despite the FDI cap being set at 26%, the investment from the insurance sector to the infrastructure sector was predominantly from the public sector companies. Hence the point of raising the FDI cap in the insurance sector for mobilizing resources does not hold good

ADVANTAGES OF FDI IN INSURANCE SECTOR

1. **Capital for expansion:** FDI has the potential to meet India's long-term capital requirements to fund the building of infrastructures which is critical for the development of the country. Infrastructure has been the major factor which has restricted the progress of the Indian economy. Insurance sector has the capability of raising long term capital from the masses as it is the only avenue where people put in money for as long as 30 years even more. An increase in FDI in insurance would indirectly be a boon for the Indian economy, the investments not withstanding but by making more people invest in long term funds to fuel the growth of the Indian economy.

2. **Wider Scope for Growth:** FDI in insurance would increase the penetration of insurance in India, where the penetration of insurance is abysmally low with insurance premium at about 3% of GDP against about 8% global average. This would be better through marketing effort by MNCs, better product innovation, consumer education etc.
3. **Moving towards Global Practices:** India's insurance market lags behind other economies in the baseline measure of insurance penetration. At only 3.1%, India is well behind the 12.5% for the UK, 10.5% for Japan, 10.3% for Korea and 9.2% for the US. Currently, FDI represents only Rs.827 crore of the Rs.3179 crore capitalizations of private life insurance companies.
4. **Provide customers with competitive products, more options and better service levels:** Opening the FDI in the insurance sector would be good for the consumers, in a lot of ways. Increasing FDI limit would impact a lot of industries in a positive way and that we could even do without the FDI in many other sectors for some for example in real estate.

CONCLUSION

Despite the current policy and regulatory environment not being 'perfect' for foreign investors, there are clearly moves towards improving the current position and facilitating FDI inflows without having a detrimental impact on various sectors of the economy. '26% insurance FDI limit in India is lowest in world' that's why most of India's 24 insurance companies have lost money in the past decade, hit by restrictions on foreign holding and by regulatory changes. The Cabinet approval of 49 per cent foreign direct investment in insurance is definitely a very positive sign. Nonetheless, it indicates the government recognizes the capital requirements of the insurance industry and is taking steps towards bridging the capital gaps. In addition, it adds the advantage of the widening current account deficit being financed through greater capital account, non-debt, FDI inflows. The benefits of the increased FDI would be seen more in the long term than in the short term. Most prominent insurance companies have a presence in India and will be able to augment their shareholding. This is also a window for Indian promoters to exit the insurance business if they feel it is not a part of their core growth strategy. Broadly, this would tend to create an environment, which consists of shareholders who are willing to invest and to stay committed to the Indian insurance growth story. Many international studies have estimated that the insurance industry in India can grow by over 125 per cent in the next ten years. In fact, India has been identified as one of the fastest growing insurance markets. The current policy is trying to encourage Joint Ventures in insurance industry so as to boost the domestic insurer's growth in this area. However; there is also the risk that some foreign insurers will not be interested in investing unless they have 100% ownership and that the current policy will prevent them from choosing India as an Insurance destination

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