

Ch-9 Tertiary Sector

Good Morning Students,

This lesson is of Class 9th for the subject of Economics. The topic of today is 'Importance of Insurance and Warehousing' which is covered in chapter 9 'Tertiary Sector' of your book 'Economics'.

This lesson is being submitted to you on 21.10.2024 and the voice is of Lokesh Arora.

All the students now please open page number 116 of your book and listen carefully.

Students, first of all we will discuss about Insurance.

Insurance :-

Insurance may be defined as a contract in writing whereby one party (known as the insurer) undertakes to indemnify the other party (called the insured) in consideration of a certain sum of money (called premium) against any loss as a result of some uncertain event. The event or contingency against which insurance is made is called the 'risk'. The contract providing for insurance is known as 'Insurance Policy.'

The insurance services in India also come within the purview of the tertiary sector. These services are particularly provided by the service providers like Life Insurance Corporation (LIC) of India and the General Insurance Corporation (GIC) of India before 1991.

Since 1991 the government has been allowing the entry of both foreign and private service providers in the insurance sector of India.

The major development in Insurance sector was constitution of Insurance Regulatory and Development Authority Act (IRDA) in 1999. The Insurance Regulatory and Development Authority was constituted as an autonomous body to regulate and develop the Insurance Industry. The key objectives of the IRDA were to promote competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. The IRDA opened the market in August 2000. Foreign companies were allowed ownership up to 26%. which was increased to 49% in 2014. In 2015-16, There were 26 private insurance companies in India.

Importance of the Insurance sector of India

The insurance sector plays an important role, particularly during the post reform period, in fostering the economic progress of India. The importance of this sector in Indian economy can be understood from the following points:-

- (i) Protection against 'Risks'
Business is full of risks. Many of the business risks can be covered through insurance. In the absence of insurance, a business may be completely wiped out by a sudden loss.
- (ii) Supply long-term capital to Industries:-
The insurance companies collect premiums from their clients by selling insurance policies. They reinvest this fund by providing long-term loan to the industries. Hence, these insurance companies are considered as the important source of capital needed for the smooth operations of many industrial units.
- (iii) Creating Employment Opportunities
The insurance business also creates huge employment opportunities both directly and indirectly in our economy.
- (iv) Supporting the Foreign Trade:- When the

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exporters or importers of India make trade agreements with the overseas clients then the insurance companies play a vital role in insuring these exports and import items. The objective is to safeguard our enterprises from the unforeseen damage or loss of these goods in transit.

(V) Providing tax benefits:-

The Income Tax Act of India also provides an opportunity to the people of the country to get some tax rebates on the amount paid for life insurance premiums and health insurance premiums. So, the insurance companies help the tax payers to reduce their tax burden.

(vi) Provision for Old-age:-

People can make financial provision for old-age by taking life insurance policies. They can lead their retired life happily and without depending upon their families for money.

(vii) Ensuring Social Security to Working Class:-
A poor worker may lose his/her income earning capability because of sickness or accident or simply due to old age. To safeguard the common workers from such unforeseen events or to safeguard the dependent members of worker's families, the

government can introduce several insurance policies for working class. For instance, the government of India, during 2015, has introduced the insurance schemes such as Pradhan Mantri Jeevan Bima Yojana (to provide financial support to the dependents in the event of the death of the policy holder), Pradhan Mantri Suraksha Bima Yojana (to ensure financial protection to the family members in the event of accident death or disability of the policy holder), Atal Pension Yojana (to ensure pension payment at the old age of the policy holder).

Students before going further in this topic, I will ask you some questions. You may pause the audio for few minutes and write the answers in your note books.

- Qul. What is Insurance?
1. Write full name of IRDA.
 2. Explain the role of Insurance in economic development.

Storage and Warehousing!

The storage and warehousing service also constitutes an important segment of tertiary sector of India.

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A manufacturer needs to keep adequate stock of raw materials to ensure smooth production. Similarly, a trader or a seller has to maintain adequate stock of the products to meet market demand for these goods. Maintenance of stocks of raw material and finished products calls for storage. Storage helps to preserve goods at a particular place until they are required elsewhere.

A warehouse is a place where goods are stored. It is otherwise known as a 'Godown'. It may also be defined as an establishment that assumes responsibility for the safe custody of goods. It is usually situated away from the place of business of a merchant. There are both public sector and private sector warehouses in our country.

The warehousing industry in India comprises both kinds of warehouses, the modern multipurpose logistics centres as well as traditional storage facilities commonly known as godowns. The modern logistics centres are provided by players from the organised sector, while the godowns largely belong to the unorganised sector.

Importance of the Storage and Warehousing service in India.

- (i) facilitates production and sales activities in a large-scale!
The storage and warehousing service enables a producer to ensure uninterrupted production and sale in a large-scale. Thus, 'Out of stock' situation can be avoided.
- (ii) Provides longer life to perishable goods!
Cold storage provides longer life to certain easily perishable items like fish, dairy products etc.
- (iii) Enables the business enterprises to meet seasonal fluctuations in market demand!-
Some of the goods are produced only in a particular season (like wheat, rice, vegetables) but are demanded throughout the year. Similarly certain products are produced throughout the year (like waller garments, coolers, umbrella etc) but demanded only during a particular season. The storage and warehousing service facilitates the business organisations to overcome such seasonal fluctuations in the market demand and supply.
- (iv) Helps in stabilising the market price!-
This service also helps in reducing violent fluctuations in prices of several essential goods by storing such goods when their supply is

more than demand and by releasing them when the demand is more than the market supply.

(v) Creates Time Utility!-

Generally, there is a time gap between the production and consumption of products. By bridging this gap, storage creates time utility.

(vi) Minimises the business risk!-

By keeping their goods in warehouses, businessmen can minimise the probable loss arising out of damage, fire, theft etc. Moreover the goods lying in warehouses are generally insured. In case of loss or damage to the goods, the owner of goods can get full compensation from the insurance company.

(vii) Facilitates business firms to take loans!-
Warehouses provide a receipt to the owner of goods for the goods kept in the warehouse. Then it becomes possible for the owner of those goods to borrow money against the security of stored goods by making an endorsement on the warehouse receipt.

(viii) Public Distribution!-

Warehousing is necessary for building up a buffer stock of food grains. It enables the Government to supply essential commodities to the

people affected by natural calamities like drought, flood, earthquake etc. Warehousing makes the public distribution system more effective.

With this, I am ending my topic here. I will give you some questions. You are required to write the answers in your note-books.

- Que 1. What is Insurance?
2. What is IRDA?
3. Give the role of Insurance in economic development.
4. What is a warehouse? Explain the role of warehousing in Economic Development.

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- Qn 1. What is a Warehouse?
2. Explain the role of warehousing in Economic development.

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