



PERFORMANCE EVALUATION OF LIFE INSURANCE CORPORATION IN INDIA- A MACRO LEVEL ANALYSIS

Mahammad Habeeb¹

¹ Doctoral research student, DOS in Economics, Karnatak University, Dharwad-580003. Karnataka, India

Anil Kumar. B. Kote²

² Post Doctoral Fellow, DOS in Economics, Karnatak University, Dharwad-580003. Karnataka, India

Tawheed Nabi³

³ Doctoral research student, DOS in Economics, Karnatak University, Dharwad-580003. Karnataka, India

ABSTRACT

Insurance industry in India has taken a giant shape especially after privatization and introduction of Insurance Regulatory & Development Authority (IRDA). Life Insurance Corporation of India is one of the most significant public sector which plays excellent job in selling its products. The uncertainty is the fundamental fact of every one's life. This uncertainty leads to fear of risk in our life. Fear of risk can be satisfied by taking all precautions to avoid risk in life. In spite of all precautions, accident occurs. So, Insurance is one of the best techniques to face this uncertainty. It is important to understand that risk is the part of any person's life. So, Life Insurance is a tool which safeguards an individual's life with benefits. There are many life insurance companies in India, but Life Insurance Corporation plays a major role in this field. The present paper is based on secondary data and it is tabulated and analyzed by statistical tools like percentage & growth rate. The idea behind the present study therefore to know the growth and performance of Life Insurance Corporation. The present study is going to analyze the major source of income (Premium Earned) of the sampled unit, as well as the significant heads of expenses of Life Insurance Corporation to measure the performance during the period of study.

KEYWORDS: Insurance industry, Life Insurance, benefits, life.

I. INTRODUCTION

Uncertainty leads to fear of risk in our life. Fear of risk can be satisfied by taking all precautions to avoid risk. In spite of all precautions, accident occurs. So, only precautions are not sufficient to avoid the consequences of uncertainty, but it requires more effective technique to deal with the problem of risk in our society. We can deal with the risk in various ways but insurance is one of the best techniques to deal with the risk. The setting up of the

Insurance Regulatory and Development Authority (IRDA) was a clear signal of the end of the monopoly in the insurance sector. It has become imperative for LIC to face the competition posed by the entry of new private players. If under this pressure, Life Insurance Corporation of India improves its performance, the whole economy will be benefited. The insurance industry has undergone a drastic change since liberalization, privatization and globalization

of the Indian economy in general and the insurance sector in particular. For almost four decades LIC has been sole player with virtual monopoly in the life insurance sector. The entry of so many companies in this sector was likely to affect the performance of Life Insurance Corporation. Thus the LIC public sector giant, which never faced competition earlier, now has to compete with the private players who boast of the rich and long experience of their partners from the developed countries of the world. It becomes imperative at this instance to appraise the performance of Life Insurance Corporation of India, succeeding sectoral reforms. And for evaluating the performance of LIC in progression, key determinants are identified and listed. The present paper is an attempt to examine the performance of LIC of India in this competitive age.

The LIC was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation. LIC's slogan is sanskrit "yogakshemam vahamyaham" which translates in english as "Your welfare is our responsibility". The paper is based on secondary data which is analyzed by statistical tools like percentage, annual growth rate, average annual growth rate and compound annual growth rate. The idea behind the present study therefore to know the growth and performance of Life Insurance Corporation. The present study is going to analyze the major source of income (Premium Earned) of the sampled unit, as well as the significant heads of expenses of Life Insurance Corporation to measure the performance during the period of study.

II. LITERATURE REVIEW, IDENTIFICATION OF RESEARCH GAP, STATEMENT OF THE PROBLEM AND OBJECTIVES OF THE STUDY:

2.1. Literature Review:-

Apart from presenting literature on performance of Life Insurance Company, the study also presents literature in relation to LIC. There are several studies are found which discuss the working conditions, process and its economic implications. In order to find out the gaps in research, the literature already available pertaining to the problem is to be reviewed. The literature on life insurance industry in India includes books, compendia, theses, dissertations, study reports and articles published by academicians and researchers in different

periodicals. The review of this literature gives an idea to concentrate on the unexplored area and to make the present study more distinct from other studies. The literature available is presented below:

Balasubramanian, T.S. and Gupta, S.P. (2000) in their book on "Insurance Business Environment" explains at length the global and Indian pictures of insurance systems. The impact of globalization and liberalization on insurance business environment is discussed analytically to get a clear understanding of the challenges faced by the insurance industry. **Srivastava, D.C. and Srivastava, S. (2001)** in their book on "Indian Insurance Industry-Transition and Prospects" discusses the financial significance of insurance industry, its contribution to Indian economy, the transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players. **Ajay Mahal (2002)** in his article on "Assessing Private Health Insurance in India-Potential Impacts and Regulatory Issues" asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes. **Kotgiri, S. (2013)**, has focused on working of insurance players in Indian scenario and comparison in terms of growth in insurance industry and trend of customers of investing amount in particular plans. Some important aspects like amount of investment habits change in attitude of customer's investment, importance given to the type of business organization are also analyzed. **Shashi, P. (2013)**, has made an effort to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and has also suggested how these recent trends have helped LIC of India as a whole to manage the existing leading position in the Life Insurance market. These studies, however, make no attempt to emphasis issues specific to "performance of Life Insurance Corporation of India. The literature review has revealed certain gaps which indicates future research entitled" performance of Life Insurance Company".

2.2. Statement of the Problem:-

The entry of many companies in this sector is likely to affect the performance of Life Insurance Corporation. Thus the LIC a public sector giant, which never faced competition earlier, now, has to compete with the private

players who boast of the rich and long experience of their partners from the developed countries of the world. It becomes imperative at this instance to appraise the performance of Life Insurance Corporation of India, succeeding sectoral reforms. And for evaluating the performance of LIC in progression, key determinants are identified and listed. The present paper is an attempt to examine the performance of Life Insurance Corporation of India in this competitive age.

In this context, the present study is confined itself to examine the performance of the Life Insurance Corporation in India.

2.3. Identification of research gap:-

Literature review has found out certain gaps which indicate scope for future research. Most of the studies have focused on impact of LIC on human life, working condition and etc. but all these lacked their approach towards the performance of Life Insurance Corporation. In this context the present paper is an attempt to examine the performance of life insurance Corporation of India in this competitive age.

2.4. Objectives of the study:-

The present study aims at examining performance of the life insurance corporation in India. For this purpose following objectives have been outlined.

- ☆ To measure the performance of Life Insurance Corporation of India.
- ☆ To examine the operating efficiency of Life Insurance Corporation of India.
- ☆ To study the contribution of Life Insurance Corporation in employment sector.
- ☆ To evaluate the growth of LIC and to offer policy suggestions to improve the working of the Life Insurance company.

III. METHODOLOGICAL APPROACH TO THE STUDY

The study has been designed under the frame work of secondary data. Data and information have been extracted from annual reports of LIC of India, handbook on Indian insurance statistics 2014-15, by IRDA, India. The study is also supported by various published journals and literature of the life insurance corporation. The information collected from secondary sources has been classified, tabulated and analysed as per the objectives of the study. The study has been adopted the tools like percentage, annual growth rate, average annual growth rate and compound annual growth rate. The tabulated information has been presented in the form of line charts for effective understanding.

IV. RESULTS AND DISCUSSION

The present study aims at examining the performance of Life Insurance Corporation of India in this competitive age. The study has been designed under the frame work of secondary data. The study focuses the period of post 2000.

4.1 EMPLOYMENT

Table 1 presents the percentage details of employees and agents in LIC of India. It can be seen from the table that out of total class-I employs 83.30 percent are males and 16.70 percent are females. In case of class-II category of employees only 3.74 percent are females whereas in class III/IV it is 21.96 percent. As per the figures more than one lakh people are working in life insurance corporation of India, directly or indirectly it is playing an important role in nation building but the thing which everyone should concern is the percentage of female workers in LIC. Nation cannot be build by having huge gender disparities in terms of employment.

Table 1: Employees and agents in LIC of India (As on 31 March 2014) in Per Cent

| Category of employees | Total Number | No. of Women | Total |
|-------------------------------|--------------|--------------|-------|
| Class-I Officers | 83.30 | 16.70 | 100 |
| Class-II Development Officers | 96.26 | 3.74 | 100 |
| Class III/IV employees | 78.04 | 21.96 | 100 |
| Total | 82.88 | 17.12 | 100 |

Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

4.2 PREMIUM

Annual growth rate (AGR) and compound annual growth rate (CAGR) of first year life insurance premium are given in Table 2 from 2005-06 to 2014-15. It can be observed from the table that the trend of annual growth rate has recorded fluctuations. It has recorded negative

growth rate in the years of 2008-09, 2011-12, 2012-13 and 2014-15. The compound annual growth rate (CAGR) is 0.12, it means the growth of first year life insurance premium for the study period is very low.

Table 2: First Year Life Insurance Premium of LIC (Including Single Premium) In Crore

| Year | Premium | AGR |
|-------------|-------------|--------|
| 2005-06 | 28515.87 | |
| 2006-07 | 56223.56 | 49.28 |
| 2007-08 | 59996.57 | 6.29 |
| 2008-09 | 53179.08 | -12.82 |
| 2009-10 | 71521.9 | 25.65 |
| 2010-11 | 87012.35 | 17.80 |
| 2011-12 | 81862.25 | -6.29 |
| 2012-13 | 76611.5 | -6.85 |
| 2013-14 | 90808.79 | 15.63 |
| 2014-15 | 78507.72 | -15.67 |
| CAGR | 0.12 | |

Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

Note: AGR- Annual growth rate; CAGR- Compound annual growth rate.

Table 3 provides the compound annual growth rate(CAGR), annual growth rate(AGR) and average annual growth rate(AAGR) of total life insurance premium of LIC from 2005-06 to 2014-15. It is noticed from the figures given in the Table 3 that total life insurance premium is negative only in the year 2011-12. The annual growth rate

of the total life insurance premium of LIC has recorded fluctuations. It has recorded highest (28.97 percent) growth rate in the year 2006-07 and lowest (1.13 percent) in the year 2014-15. The CAGR of the total life insurance premium of LIC is 2.75 percent and AAGR is 9.77 percent.

Table 3: Total Life Insurance Premium of LIC (In Crores)

| Year | Premium | AGR |
|------------------------|-------------|-------------|
| 2005-06 | 90792.22 | - |
| 2006-07 | 127822.84 | 28.97 |
| 2007-08 | 149789.99 | 14.66 |
| 2008-09 | 157288.04 | 4.76 |
| 2009-10 | 186077.31 | 15.47 |
| 2010-11 | 203473.4 | 8.54 |
| 2011-12 | 202889.28 | -0.28 |
| 2012-13 | 208803.58 | 2.83 |
| 2013-14 | 236942.3 | 11.87 |
| 2014-15 | 239667.65 | 1.13 |
| CAGR & AAGR | 2.75 | 9.77 |

Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

Note: AGR- Annual growth rate; AAGR- Average annual growth rate; CAGR- Compound annual growth rate.

4.3 OFFICES OF LIC OF INDIA

State and zone-wise number of offices of LIC of India has been given in the Table 4. Southern states of the country are having highest (1367) number of offices of LIC followed by northern (1153) and western (1027) states of the country. Lowest number of offices are located in northeastern (116) states of the country. These figures are helpful in understanding the performance of

insurance industry in various states and regions/zones in general and performance of LIC in particular. It also helps to understand the awareness of insurance among the people of distinct states and regions. Usually numbers of offices are more in the states and regions where the insurance market does good performance and vice versa.

**Table 4: State-Wise Distribution of Offices of LIC of India for the year 2014-15
(Life Insurance)**

| WESTERN (1027) | | | |
|-----------------------------|-----|------------------------|-----|
| Rajasthan | 263 | Goa | 19 |
| Maharashtra | 487 | Dadra and Nagar Haveli | 1 |
| Gujarat | 256 | Daman and Diu | 1 |
| CENTRAL (424) | | | |
| Madhya Pradesh | 337 | Chhattisgarh | 87 |
| NORTHEASTERN (116) | | | |
| Arunachal Pradesh | 7 | Meghalaya | 9 |
| Assam | 98 | Sikkim | 2 |
| NORTHERN (1153) | | | |
| Uttar Pradesh | 665 | Punjab | 150 |
| Jammu and Kashmir | 48 | Haryana | 100 |
| Himachal Pradesh | 40 | Delhi | 85 |
| Uttarakhand | 55 | Chandigarh | 10 |
| SOUTHERN (1367) | | | |
| Karnataka | 288 | Telangana | 143 |
| Andhra Pradesh | 190 | Kerala | 241 |
| Tamil Nadu | 496 | Puducherry | 9 |
| EASTERN (787) | | | |
| Odisha | 145 | Mizoram | 7 |
| Bihar | 166 | Nagaland | 8 |
| West Bengal | 317 | Tripura | 18 |
| Manipur | 15 | Jharkhand | 111 |
| Total 3 | | | |
| Andaman and Nicobar Islands | 2 | Lakshadweep | 1 |

Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

4.4 GROWTH RATE OF OFFICES OF LIC

The data provided in the Table 5 shows the growth rate of offices of LIC of India from 2006-07 to 2014-15. It is observed that number of offices is increasing year by year, but it is also observed that LIC of India has witnessed a declining trend in terms growth rate of number of offices except for the year 2008-09 and 2013-

14. The compound annual growth rate (CAGR) of number of offices of LIC is 1.39 percent whereas average annual growth rate (AAGR) is 8.53 percent. The annual growth rate has shown a declining growth rate it is because of increase in the competition by other insurance companies in the insurance sector.

Table 5: Growth rate of offices of LIC of India 2006-07 to 2014-15

| Year | No. of Offices | AGR |
|------------------------|----------------|-------------|
| 2006-07 | 2301 | - |
| 2007-08 | 2522 | 8.76 |
| 2008-09 | 3030 | 16.76 |
| 2009-10 | 3250 | 6.76 |
| 2010-11 | 3371 | 3.58 |
| 2011-12 | 3455 | 2.43 |
| 2012-13 | 3526 | 2.01 |
| 2013-14 | 4839 | 27.13 |
| 2014-15 | 4877 | 0.77 |
| CAGR & AAGR | 1.39 | 8.53 |

Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

Note: AGR- Annual growth rate; AAGR- Average annual growth rate; CAGR- Compound annual growth rate.

4.5 MARKET SHARE OF LIC

Figure 1 depicts the market share of LIC of India based on total premium from 2000-01 to 2012-13. It can be seen in the figure that from 2000-01 to 2009-10 the market share of LIC has declined from 100 percent to 70 percent, it has not declined immediately but marginally.

This is due to the entry of new companies in the field of insurance sector on the one hand and the cut throat competition on the other hand. Though its market share has declined since 2009-10, the LIC of India has witnessed a marginal increase after 2010-11.

Figure 1: Market share of LIC of India based on total premium 2000-01 to 2012-13 (in Per Cent) (Life Insurance)



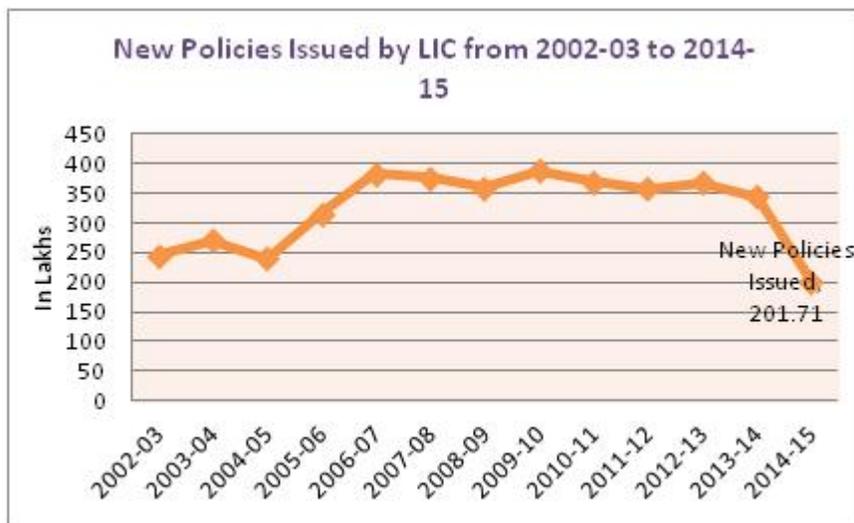
Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

4.6 NUMBER OF NEW POLICIES ISSUED

Number of new policies issued by LIC from 2002-03 to 2014-15 is presented in the Figure 2. It is found from the table that there is a steep increase in the policies issued by LIC during 2004-05 to 2006-07 whereas a steep

decline has been seen during 2013-14 to 2014-15. A marginal fluctuation has been recorded in the issue of new policies recorded by LIC from 2006-07 to 2013-14.

Figure 2: Number of Individual New Policies Issued by LIC from 2002-03 To 2014-15 (In Lakhs)



Source: Handbook on Indian Insurance Statistics 2014-15, By IRDA, India

V. FINDINGS, POLICY IMPLICATIONS AND CONCLUSION

The economic growth is mainly based on the investments; these investments are undertaken by insurance business in an economy in the insurance life insurance is considered as the backbone of all the insurance sectors. Life insurance is the foundation of total financial plan because it is uniquely designed to perform three vital roles in the life of an individual, family or business, namely asset accumulation, asset planning and asset distribution. It has been found from the present study that LIC provides an employment to almost one lakh people directly or indirectly in India, providing 83 percent employment to the male population whereas female employment is very less and the need of an hour is to minimize the gender gap so that the female participation in an employment sector will increase. There is a lot of fluctuation in annual growth rates recorded in premiums of life insurance from last few years the growth rate of premium has declined the reason for decrease is because of the new entrants in the market. The market share of LIC has declined from 100 percent to 70 percent from 2000-01 to 2009-10 in terms of total premium. The downfall of market share was not immediate but was marginal this was also because of the cut throat competition of new entrants in the market. Number of policy holders have increased from 2004-05 to 2006-07 but after the competition in the market in the year 2006-07 in has declined. So, the main threat to the corporation is present competition in the market before 2004-05 the LIC of India was enjoying a monopoly in the insurance sector but after the privatization of insurance companies it is facing tough

competition from rival insurance companies. The study has come to an end and found some important suggestions for this prestigious industry in the country: In order to increase business of LIC, it must increase life insurance policies so that it can retain the market share in the competitive scenario. Advertisement is also an important tool to aware the general masses about the product and policy, so LIC should adopt new marketing strategies and advertisements to promote and aware about its policies to the consumers. Further LIC should concentrate on agents training to make them updated as per the current market requirements and professionalism to tackle the queries of customers and doubts raised in their minds by other life insurance competitors in the market. The LIC should increase its number of branches in north eastern states so that they can acquire the more and more life insurance market and have more sales in the region. LIC has been successfully able to create value of its policy holders.

VI. REFERENCES

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