PREFACE

Life insurance business in India had its origin from the United Kingdom and became Life Insurance Corporation of India (LIC) by an Act of Parliament in 1956. The IRDA bill was passed in Parliament in 1999 by amending Insurance Act 1938 and LIC Act 1956, to regulate and promote insurance business in the country. Based on the recommendations of the various committees like Administrative Reforms Committee, Nayudu Committee, Thappar Committee, Ranganathan Committee and Malhotra Committee, many changes were introduced in the Insurance Sector. The changes which came into life insurance business in India, has helped LIC to become more competitive in terms of technology and operational aspects and to observe and verify the developmental activities initiated by LIC. It is therefore, necessary to evaluate the mode and the avenues of investments and the consideration given to different industries with regard to the deployment of funds, particularly the policy holders’ fund.

An attempt has been made to identify the various priorities of allocation and utilization of different types of funds in different sectors and different industries from time to time and to make an evaluative approach on it.

Development stands for economic and social improvements in the quality of human life and is interrelated to other aspects of development like education, health and basic necessities of human beings. The focus of the study is on the developmental activities initiated by LIC, the funding pattern of LIC in the developmental activities of the state of Kerala and the contribution of LIC in the field of developmental finance. The study also aims at ascertaining whether any significant variation is observed among different segments of industries so far as the funding pattern followed by LIC in Kerala is concerned and to demonstrate the level of utilization of different types of funds by public and private sector life insurance companies in India.

The allocation of huge funds for the developmental programmes and multiple credit delivery for the rural development is a regular phenomenon and it is getting implemented through various financial institutions and many economists have stressed the role of financial institutions in stimulating economic development. The review of previous studies disclosed LIC’s role in fostering development in the industrial and social sector in many states in the country and it naturally leads one into the rational thinking – why not have a
similar study on LIC’s investment practices and development funding in Kerala, by blending the methodologies adopted in these works.

The major information pertaining to the funding pattern has been subjected to financial and statistical analysis, including inferential statistical analysis so as to draw meaningful conclusions. It becomes descriptive in the sense that a detailed description of what has been going on there in LIC of India over the period under review is under the purview of this work. Secondary data from internal and external sources constitute the core data for analysis. Interviews conducted with the senior officials of LIC, KSRTC, KSEB, HUDCO etc: constitute the internal data pertaining to the study.

The coverage and jurisdiction is limited to the state of Kerala. The scope is thus limited to the developmental programmes supported by the LIC of India out of the policy holders’ fund and the sectoral utilization of various funds by Life Insurance Corporation of India. It covers the central and state government undertakings, corporate sector including public and private sector as well as the cooperative undertakings in Kerala. This will educate the agencies and authorities concerned to formulate or upgrade appropriate strategies towards the betterment of the existing strategies, plans and outlook in the field of deployment of funds, particularly policy holders’ funds, during the period under review. The study is limited to a period of ten years commencing from 1998-’99.

The thesis is divided into seven chapters. The first chapter deals with introduction and the five subsequent chapters deal with the legal framework of funding pattern and review, funding pattern of LIC, market share of LIC in the field of securities market in Kerala, investments made in by LIC in social sector, the utilization of various funds by private and public sector life insurance companies. The last chapter deals with the findings, conclusions and recommendations.

It is hoped that the findings and recommendations emerging from the study will enable the authorities concerned in designing various strategies towards the betterment of existing schemes, plans and outlook towards the deployment of Funds. It is also hoped that these would serve as beacon light to the policy makers, researchers and academicians.