Current Scenario of Performance Evaluation of Life Insurance Corporation (LIC) of India

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Abstract

Protection businesses in India now a day have taken a mammoth shape particularly after privatization and presentation of Insurance Regulatory and Development Authority (IRDA). Extra security Corporation of India is a standout amongst the most noteworthy open part which plays phenomenal employment in offering its items. In any case, since most recent couple of years it is confronting gigantic rivalry the same number of private players have risen. The thought behind this concentrate along these lines to know the development and execution of LIC. The specialist is going to break down the real wellspring of salary (Premium Earned) of the tested unit, and also the huge heads of costs of LIC to quantify the execution amid the time of the study.

Keywords: LIC, Performance Evaluation, Premium Earned, Expenses.

I. INTRODUCTION

The setting up of the Insurance Regulatory and Development Authority (IRDA) was an unmistakable flag of the end of the imposing business model in the protection part. It has gotten to be basic for LIC to confront the opposition postured by the section of new private players. In the event that under this weight, Life Insurance Corporation of India enhances its execution, the entire economy will be profited. The protection business has experienced an uncommon change since progression, privatization and globalization of the Indian economy all in all and the protection segment specifically. For right around four decades LIC has been sole player with virtual imposing business model in the disaster protection part. The passage of such a variety of organizations in this part was probably going to influence the execution of Life Insurance Corporation. In this manner the LIC open area mammoth, which never confronted rivalry before, now needs to contend with the private players who gloat of the rich and long experience of their accomplices from the created nations of the world. It gets to be basic at this case to evaluate the execution of Life Insurance Corporation of India, succeeding sectoral changes. What's more, to evaluate the execution of LIC in movement, key determinants are distinguished and recorded. The present paper is an endeavor to look a t the execution of LIC of India in this focused age.

The LIC was established in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private protection industry in India. More than 245 insurance agencies and provident social orders were converged to make the state possessed Life Insurance Corporation. LIC's motto is sanskrit
"yogakshemam vahamyaham" which deciphers in english as "Your welfare is our duty". This is gotten from the Ancient Hindu content, the Bhagavad Gita's ninth Chapter, 22nd verse. The motto can be found in the logo, written in Devanagiri script.

II. PROBLEM OF THE STUDY

The problem of the study is "Performance Evaluation of Life Insurance Corporation (LIC) of India".

III. OBJECTIVES OF THE STUDY

Below mentioned are some of the objectives of the study.

- To understand the importance of Life Insurance in human life.
- To know the working of LIC (Life Insurance Corporation).
- To identify major attributes for the success of plans.
- To evaluate the operating efficiency of LIC of India.
- To measure the performance of LIC of India.
- To evaluate the growth of LIC during the period of the study.

IV. REVIEW OF THE LITERATURE

With a specific end goal to discover the crevices in research, the writing officially accessible relating to the issue is to be investigated. The writing on disaster protection industry in India incorporates books, compendia, theories, expositions, concentrate on reports and articles distributed by academicians and scientists in various periodicals. The audit of this writing gives a thought to focus on the unexplored range and to make the present concentrate more unmistakable from different studies. The writing accessible is displayed beneath:

1. Mishra, K.C. also, Simita Mishra (2000) in their article on "Protection Industry: Recipe for a Learning Organization" say that like some other industry, protection industry in India experiences one test repeatable a hundred times, that is the imperatives of framework.


3. Mitra Debabrata (2000) in the postulation entitled "Workers and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India" opines that the State-possessed
Undertakings give a wide range of offices and courtesies to representatives alongside common payments. In any case, their beneficial rate is low when contrasted it and the private division endeavors. In the Jalpaiguri Division, the representative association with the LIC is unmistakably talked about and a few proposals are additionally given in the theory.

4. Wadikar Ashok Laxaman (2001) in his theory on "Inventiveness in the Insurance Industries", Ph.D. Proposition submitted to the Department of Management, University of Pune, Pune, 2001. Affirms a general feeling that creativity in each action alone principles and overwhelms the business. In any case, in the meantime, the common sense and monetary avocation of that creativity are additionally to be investigated.

5. BalachandWran, S. (2001) in his book on "Client Driven Services Management" presumes that the protection business is quickly developing and for the most part turning into a client driven and client driven one. He additionally advocates that when the protection items are alluring to the clients, then just the protection business thrives in the market and fills its need of benefit winning furthermore pay era.


8. Ajay Mahal (2002) in his article on "Evaluating Private Health Insurance in India–Potential Impacts and Regulatory Issues" attests that the section of private medical coverage organizations in India is probably going to affect the expenses of human services, value in the financing of care and the quality and cost-adequacy of such care. Notwithstanding, he specifies that an educated customer and a very much executed protection direction administration by and large kill a portion of the terrible results.

9. Dan Segal Leonard N. Stern School of Business New York University "An Economic
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Analysis of Life Insurance Company Expenses has broke down the costs of the Life Insurance Companies.

V. RESEARCH METHODOLOGY

Data Collection: The present study covers auxiliary information. Information and data have been extricated from Annual Reports LIC of India. The scientist has gathered 5 years Balance Sheet and Profit and Loss Account of the examined unit. It is additionally upheld by different distributed diaries, written works of the LIC.

Sampling: The Insurance industry now a day has so many Life Insurance institutions in India; the researcher has selected LIC of India as a sample.

Period of the Study: The period of the study was from 2005 to 2010 i.e. of 5 years.

Tools & Techniques of the Study: The analyst has utilized the instruments according to the need and sort of the study. The data so gathered has been characterized, organized and dissected according to the destinations of the study. According to the way of the information accessible the graphical presentation was likewise done. According to the destinations of the study F-test was connected.

Significance of the study: Disaster protection is an exceptionally noteworthy consider human life. The present study gives the ideal information of disaster protection and current circumstance of LIC arrangements. Life coverage being a critical type of government disability. In this present world human life turn out to be so unsafe.

Hypothesis of the study: Following is the hypothesis of the study.

Ho: There is no significant difference in expenses of sampled unit during the period of the study.

H1: There is significant difference in expenses of sampled unit during the period of the study.

VI. SCOPE OF THE STUDY

The present study covers auxiliary information of LIC of India amid the time of the study. Additionally, commission costs and working costs of LIC have likewise been incorporated for the investigation of working proficiency.

VII. LIMITATION OF THE STUDY

This study is restricted or limited to Life Insurance Corporation (LIC) of India only.

It should be noted that the suggestions and conclusion viewed here would be as per the data collected by the researcher.

VIII. DATA ANALYSIS

Extra security Corporation (LIC) is working together of Insurance in India since 1961. By
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giving protection, all things considered it tries to secure the human life esteem and there by adds advance security to the individual having protection approach. As specified before that according to the sort and nature of the information accessible analyst has broke down significant five segments of the costs of the inspected unit. All Expenses are broke down through factual measures. This section goes facilitate, and Descriptive Analysis has been being done. The accompanying table demonstrates the significant five factors which are taken for the examination.

Components of Expenses (Table No. 1.1)

<table>
<thead>
<tr>
<th>Years</th>
<th>Claims (Rs. In Lacs)</th>
<th>%</th>
<th>Commission (Rs. In Lacs)</th>
<th>%</th>
<th>Operating Expenses (Rs. In Lacs)</th>
<th>%</th>
<th>Investments 1 (Rs. In Lacs)</th>
<th>%</th>
<th>Investments 2 (Rs. In Lacs)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>2992136.56</td>
<td>100</td>
<td>684648.01</td>
<td>100</td>
<td>489231.63</td>
<td>100</td>
<td>16640.43</td>
<td>100</td>
<td>45278642</td>
<td>100</td>
</tr>
<tr>
<td>2006-07</td>
<td>3691661.56</td>
<td>123.38</td>
<td>729694.38</td>
<td>106.58</td>
<td>528175.29</td>
<td>107.96</td>
<td>27945.18</td>
<td>167.94</td>
<td>51111283</td>
<td>112.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>3852982.79</td>
<td>128.77</td>
<td>715093.24</td>
<td>104.45</td>
<td>518311.03</td>
<td>105.94</td>
<td>29319.63</td>
<td>176.19</td>
<td>60539701</td>
<td>133.7</td>
</tr>
<tr>
<td>2008-09</td>
<td>4216774.03</td>
<td>140.93</td>
<td>862108.36</td>
<td>125.92</td>
<td>701378.41</td>
<td>143.36</td>
<td>31950.4</td>
<td>192</td>
<td>63896170</td>
<td>141.1</td>
</tr>
<tr>
<td>2009-10</td>
<td>5412910.66</td>
<td>180.9</td>
<td>1054737.9</td>
<td>154.06</td>
<td>932960.54</td>
<td>190.7</td>
<td>35376.27</td>
<td>212.59</td>
<td>83304127</td>
<td>184</td>
</tr>
</tbody>
</table>

Source: Secondary Data

The above table demonstrates the execution of cases paid. Table likewise shows that base year (2005-06) measure of cases paid, and in a similar line ascertained rates of five years amid the time of the study. The most elevated rate was in the year 2009 – 10. The most reduced rate was in the year 2006 – 07, delineates that step by step sum paid by Way of cases get expanded. Every other part Commission paid, Operating Expenses, Investments 1 (Shareholders'), and Investments (Policyholders') demonstrating upward pattern.

Presently, taking after table portrays the distinct measurements taking the base year 2005-06 as 100%.statistics (Table No. 1.2)

According to information appeared in above table the base year 2005-06 is taken as 100. As contrast with this base year Expenses of every other year are demonstrating expanding pattern. As all parts of the costs are expanding, however the expansion in the working costs are much higher than whatever other segment/variable.
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### Descriptive Analysis

<table>
<thead>
<tr>
<th>Descriptive Analysis</th>
<th>Claims</th>
<th>Commission</th>
<th>Oper. Exp.</th>
<th>Inv. 1</th>
<th>Inv. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>143.50</td>
<td>122.75</td>
<td>136.99</td>
<td>187.18</td>
<td>142.92</td>
</tr>
<tr>
<td>Standard Error</td>
<td>13.00</td>
<td>13.00</td>
<td>19.86</td>
<td>9.83</td>
<td>14.93</td>
</tr>
<tr>
<td>Median</td>
<td>134.85</td>
<td>116.25</td>
<td>125.66</td>
<td>184.10</td>
<td>137.41</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>25.99</td>
<td>23.00</td>
<td>39.72</td>
<td>19.66</td>
<td>29.87</td>
</tr>
<tr>
<td>Sample Variance</td>
<td>675.72</td>
<td>528.91</td>
<td>1577.39</td>
<td>386.62</td>
<td>892.19</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.33</td>
<td>0.10</td>
<td>-0.15</td>
<td>-0.81</td>
<td>1.84</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.56</td>
<td>1.12</td>
<td>1.07</td>
<td>0.71</td>
<td>1.03</td>
</tr>
<tr>
<td>Range</td>
<td>57.52</td>
<td>49.61</td>
<td>84.76</td>
<td>44.65</td>
<td>71.10</td>
</tr>
<tr>
<td>Minimum</td>
<td>123.38</td>
<td>104.45</td>
<td>105.94</td>
<td>167.94</td>
<td>128.88</td>
</tr>
<tr>
<td>Maximum</td>
<td>180.90</td>
<td>154.06</td>
<td>190.70</td>
<td>212.59</td>
<td>183.98</td>
</tr>
<tr>
<td>Sum</td>
<td>573.98</td>
<td>491.01</td>
<td>547.96</td>
<td>748.72</td>
<td>571.68</td>
</tr>
<tr>
<td>Count</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Largest(1)</td>
<td>123.38</td>
<td>104.45</td>
<td>105.94</td>
<td>167.94</td>
<td>112.88</td>
</tr>
<tr>
<td></td>
<td>41.36</td>
<td>36.59</td>
<td>63.20</td>
<td>31.29</td>
<td>47.43</td>
</tr>
</tbody>
</table>

The above table uncovers that as step by step costs are expanding, its standard mistake is likewise getting expanded. It would come about into increment in changes. As working costs are expanded at a higher rate its standard blunder likewise gets builds speedier and its fluctuation (1577.39) is additionally high when contrasted with every other variable.

### F-Test

Ho: There is no significant difference in expenses of sampled unit during the period of the study.

H1: There is significant difference in expenses of sampled unit during the period of the study.
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**F-Test (Table No. – 1.3)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Standard Error</th>
<th>Standard Deviation</th>
<th>Sample Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Claims</td>
<td>12.997</td>
<td>25.995</td>
<td>675.717</td>
</tr>
<tr>
<td>Net Commission Paid</td>
<td>12.997</td>
<td>22.998</td>
<td>528.908</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>19.858</td>
<td>39.716</td>
<td>1577.395</td>
</tr>
<tr>
<td>Investments (Shareholders’)</td>
<td>9.831</td>
<td>19.663</td>
<td>386.619</td>
</tr>
<tr>
<td>Investments (Policy Holders’)</td>
<td>14.935</td>
<td>29.870</td>
<td>892.191</td>
</tr>
</tbody>
</table>

Critical Value 2.770

F-test Value = Estimate of largest variance/ Estimate of smallest Variance 4.08

Hypothesis Rejected

As the above table shows that analysis of variance (F –Test), variance on operating expense was highest amongst all, while variance of Investments (shareholders’) was lowest. So as a result of F-Test is 4.08. While the critical value is 2.77. So the hypothesis is rejected.

**IX. SUGGESTION**

The overall performance evaluation of Life Insurance Corporation of India is consistent. The working groups have been worked hard for their functions but still some drawbacks are left behind, for that suggestions are as under:

LIC should try to increase their selling of plans to introduce new plans with different kinds of facilities, so that it can increase its income amount, especially Premium amount.

As private insurance companies capture the market now a day, therefore, LIC should strengthen their working & should launch plans with more facilities.

The Corporation should strive to increase its business by issuing more and more policies in order to retain its market share in the competitive scenario.

Operating cost as compared to premium underwritten should be controlled.

A comparative statement of performance between LIC and various insurance companies may help increase the businessA comparative statement of performance of operating expenses of LIC and various insurance companies may help to narrow down the cost.
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LIC of India should continue making investments, but secured investments should be made.

LIC need to find out which attribute of the operating expenses need to be controlled.

X. CONCLUSION

LIC has been successfully able to create value for its policyholders. The performance evaluation shows consistent increase in its business. During the period of the study there is no major change in the performance of the LIC. So it clarifies that the performance is unchanged and LIC has maintained the market value of their products. After introduction of IRDA (Insurance Regulatory & Development Authority), LIC has become more conscious for their products. As private players are coming up now a day, competition is increasing and LIC has made efforts to continue its business. Apart from this, LIC need to control the investment level. As above table also reflects that the investment (Policy holders”) has this second highest variance, so investment (policyholders”) also need to reduce. Researcher has evaluated the various components of expenses with scientific methodology to justify the performance; so to conclude, LIC is doing good job, managing the products, and related marketing strategies effectively. But as per analysed data we can say that LIC need to control the Operating Expenses, to not affect its income. LIC is pioneer institute in Indian economy; so after IRDA and privatization of insurance sector, the way of achieving the effective result is not smooth task, but LIC has to work.

“The woods are lovely dark and deep, but LIC has to keep promises and miles to go before it sleeps”.

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