CHAPTER-I
INTRODUCTION AND
DESIGN OF THE STUDY
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1.1 Introduction: The development of mankind from Adam and Eve is customized to change. The change is a common phenomenon which originates from the destruction of one living being and ends with the introduction of another. The principle of destruction leads to a state of becoming rather than state of being. It not only affects the future development of the greatest living being of this man, leads to unpredictable uncertainty. The risk factor is characterized by a sense of uncertainty. The advent of insurance paved way for not only offloading the risk composition of life of the living beings but also for maintaining the phase of the development inspite of the destructive stumbling blocks which are on the way.

The life insurance industry in India emerged through the establishment of life insurance company during the early part of the year 1818. The role of private participation in the life insurance industry during the nascent stage was quite remarkable but the companies were not able to satisfy the insured. During the year 1956, the government considered the welfare of the people and finally given shape for the separate entity exclusively for insurance by synergizing all individual companies through the process of nationalization. That nationalization process led to a gathering of 245 Indian and foreign Insurance companies for the development of LIC. In due course LIC has emerged as a state owned monopoly in the industry through the establishment of 2048 branches, 100 divisional offices, 7 zonal offices and a corporate office which illustrated the metamorphic status of the
organization not only as a giant insurance corporate player in India but also across the globe.

1.2 Origin and development of Insurance: Insurance is an equipment which facilitates not only to save the interest of individuals and business enterprises but also to indemnify the losses due to calamities. The origin of insurance has been very well regarded from the biblical story of Joseph, who mooted the concept insurance during the moment of answering the queries out of the dream of the Egyptian ruler Pharoh. Joseph advised the ruler to save one fifth of the crops of every prosperous year in order to overcome the threats of famine. The same principle of insurance was given importance by prophet Yusuf is well known from the Islamic scriptures. During the 17th century, Life insurance business was existence even before the development of mortality tables and were carried out by mutual fund officers. Then numerous developments had taken place at the global level and also fast developments especially due to Industrial development occurred immediately after the Second world war.

In India, during the year 1871 insurance emerged as a business and it was started by Bombay Mutual office. Though the Indian Life Insurance Act 1912 was passed as an episodic event between 1900 and 1912 mushroom development only took off in the industry. The next phase of Indian insurance industry between 1913 and 1938 was critical due to two world wars which drastically nudged the role of small insurance offices. In due course, the Govt. was forced to protect the Indian insurance business during the year 1938. Hence Sri S C Sen was appointed as a special officer to develop a report on reform in the insurance business. The draft of Insurance act 1938 was developed immediately after the examination of the draft of special officer by Sir NN Sircar.
1.3 Life insurance Evolution in India: In Hindu mythology, the principle of insurance was available in the method of extending protection in some forms which are not specifically illustrated, that differs from one ruler to another ruler. The periodical of LIC of India is “YogaKshema”, which is present in rigveda and refers to insurance that was practiced 3000 years ago.

The evolution of insurance in India could be better discussed by classifying it before and after the nationalization of the insurance sector.

**Insurance Before Nationalisation:**

**Development during 19th Century:**

The first foreign insurance company “Oriental” was started in the year 1818, mainly to cover the life risk of foreigners, widows and orphans through life insurance products. The Indian lives were accepted for insurance by the Oriental company during the year 1834. Another insurance venture Bombay life insurance company commenced its operations in the year 1823 by accepting short term policies to cover the risk of Indian populace. Hence during the year 1829 Madras equitable company was started and during the year 1910 it stopped to issue policies. Due to mismanagement practices, it wound up its operations during the year 1921.

**Insurance during Pre Independence (1901-1918):**

The insurance business was immensely garnished not only due to many enterprises which grew up in the Indian sub continent but also because of the development of Indian National Congress as well as Swadeshi Movement during the years 1901-1918. Among the few enterprises, the following were found to be prominent in the insurance business

1. The National insurance -1906

2. The Hindustan Co-operative in 1907
3. The Indian equitable in 1908

**Insurance in India during the World War (1919-1932):**

The I & II world wars not only affected world economy but also Indian economy too, Indian Industrialists found that an inadequate source of financing towards industrial development mooted them to start their own insurance companies. The following are some of the few renowned insurance companies:

1. Tatas’ - The New India Insurance company 1919

2. Lalji Narnji and Manu Subedhar – The Jupiter General (1919)

During the periods, the cost of insurance contract offered by the companies was exorbitant due to high rebates and excessive commission only in order to grab more opportunities from the market.

**Insurance after the Second world war (1939-1952):**

The developments in insurance legislation, low mortality and keen competition among the players were known as major features of post-war periods. Twenty-five insurance companies were started between 1941 and 1945. Many insurance companies during this horizon interlocked the investments through their banking companies, which were examined by Sir Cowajis Jehangir Committee. The interlocking of investments by those insurance companies was found harmful as well as one unfair trade practice by the committee and an act was passed during the year 1950.

**Insurance after Nationalisation:**

During 1955, there were 170 insurance offices and 80 provident societies for transacting insurance business in India. Few of them were identified as foreign players and their operations were navigated by the head offices situated outside India. During these periods, many of them liquidated their
business and a few of them were taken over by existing prominent insurance companies.

Due to improper management practices of life insurance companies, nationalization movement of insurance business was mooted during the year 1956 by Govt of India in order to protect the interest of the insured. The first initiative of Govt was made by the finance minister C D Deshmukh through his broadcast circular during the promulgation of Life insurance (emergency provision) ordinance, 1956.

During the second five year plan, the importance was given by the Govt not only to build the confidence into the lives of millions of population but also to mitigate the wrong belief of doubters. The Life Insurance Act (XXXI of 1956) was passed by the house of parliament as well as consent of President on 18th June, 1956 and it came into force 1 July, 1956. The Act empowered LIC of India to transfer the assets and liabilities of all insurers registered in India and outside India to its account from the date of appointment.

It came into existence 1st September, 1956, as an approved monopoly stature in the Indian Insurance Industry.

1.4 Objectives of Nationalisation:

1. Spreading the message of Life insurance business not only beyond the urban areas but also neglected areas

2. To moot effective mobilization of savings among the common public

3. To extend the complete security of policyholders and their interest

4. Timely prompt and efficient service to policyholders

5. Conduct of business with utmost economy to the strong belief of policyholders
6. Consistency in maximum yield and safety of capital to protect the interest of policyholders

7. Economic premium rates

8. Structure of the corporation is guided by Trustees

9. Developing various kinds of schemes to suit different segments

1.5 Life Insurance Corporation of India:
The corporation started to function from 1 September, 1956 as a sole agency for carrying out the life insurance business in India as well as outside India. The Government explicitly earmarked its interest not only promulgating the life insurance act but also contributed the initial capital of Rs.5 crores, to promote the insurance business through socialistic purpose of the society. LIC had been given enough responsibilities with delegation of authority in writing, to acquire, hold and dispose of property. The top brass of LIC consists of 15 members as a trust and one of them is normally appointed as a chairman by the Govt of India. The radical changes of LIC developed its operations from 5 zonal offices, 33 divisional offices and 212 branch offices during the inception of business, to 9 zonal offices, 109 divisional offices and 2053 branch offices as on 28th May, 2010.

1.6 Organisational set up of the corporation:
The functions of the corporation are normally carried out by the special committees vested with specific and heterogeneous objectives, headed by the chairman of the corporation. All committees of the corporation are expected to fulfill the early set objectives to the tune of section 21 of Life insurance act, which mainly revolves around the interest of population. The following are committees extending their regular assistance to the corporation.
1. Personal Advisory Committee
2. Building Advisory Committee
3. Development Advisory Committee and
4. Budget Advisory Committee

**Central Office**
Central office of the corporation is in Mumbai, and mainly takes policy decisions and coordinates with various divisions. The central office is equipped with eleven departments, a few of them are viz Development, Publicity and Public relations, Accounts, Investments, Secretarial and Personnel, Inspection and Actuarial and Electronic Data processing departments.

**Zonal Office**
The next layered grid of corporation is Zonal office which is responsible for all activities of insurer from procurement of new business to settlement of claims. The major vested responsibility of zonal office is to guide the respective divisional offices on legal, accounting concerns of life insurance contract with the policyholders.

**Divisional Office**
The divisional offices in India are vested with definite jurisdiction and they are responsible not only for the generation of New business but also for servicing the contracts to the tune of policyholders’ interest from the time of acceptance to the settlement of claims. The functions of divisional offices have been classified into eight different departments, viz Marketing, New business and Actuarial, Planning and Review, Personnel and Industrial relations, Accounts, Legal and Mortgages and Data processing departments.
Madurai Division Office:

The Madurai division office is present in the land of the erstwhile glorious Pandiya Kingdom. It was one of the oldest divisions, started on 1st September, 1956 when LIC of India started its operations in India. During the inception, the jurisdiction of Madurai division comprised Madurai, Ramanathapuram, Tirunelveli, Kanyakumari, Thanjavur and Trichy Districts. The Madurai Division was bifurcated during the year 1962 giving birth to Thanjavur division including both Thanjavur and Trichy Districts. The next stage of bifurcation took place in the year 1992 by giving birth to Tirunelveli division.

The division office of Madurai initially started with only four branch offices at Madurai, Karaikudi, Tuticorin and Tirunelveli. Two more sub offices were opened at Dindigul and Nagercoil. As on 27th May, 2010 the Madurai division comprises 26 branch offices.

The study covers the revenue district of Madurai which supervises the operations of seven branches viz. CBO-I, CBO-II, CBO-III, CBO-IV, CAB-Selur, Tallakulam, Tirunagar.

1.7 Problem of the study:

The wide range of economic reforms were initiated in the year 1991 through the advent of LPG, which not only brought forth drastic changes in the functional set up of a country but also in the structure of insurance sector, routed through the examination carried out by the Malhotra Committee. The recommendations of the committee were mainly fostered to open up the sector for 12 private players initially through the legal frame work of IRDA. The introduction of new private players has changed the market characteristics of the Indian insurance industry from monopoly to perfect competition which embeds not only the cause of market pressure to LIC but also led to undergo a legal frame work of IRDA. The growth in the volume
of annual premiums have come down from 564% to 109% in between 2000-01 and 2002-03 respectively, due to invasion of new private players. Hence, invasion of the legal framework of IRDA required LIC to sell the policies of various in categories through the trained man selling force immediately after 100 hours of training with yester branded features. This led to an increase in the cost of marketing of policies which started to slash down the volume of profit. The modern insurance regulator warrants the largest entity also to recruit the man selling force only in accordance with the norms of the qualifications of an agent. Due to the invasion of new players and legal framework of IRDA, the yester designed insurance products are unable to cater to the needs and demands of the vibrant market which is only due to irrational system of financial engineering. Since its inception, 16% of the population only was brought under the cover of insurance, which means that the largest entity by volume of operations has not appropriately tapped the rural market potential of 84%. The liberalization phase of LIC is facing tug of war situation with all trade unions in the process of mechanization throughout the country. Now a days, all insurance players are required to develop their own strategies to combat the other players in the industry, more specifically LIC. LIC is the only insurance company with the yester design of operations in all spheres, which stood in the way innovations suitable of present Madurai division has been found to be one of the oldest divisions along with other 32 during the moment of inception. It recorded oscillating contribution to Zonal office as well as its being second lowest performer during the year 1995-96, made the researcher take up its study so as to clarify its strengths, weaknesses opportunities and threats.
1.8 SWOT Analysis:

The ultimate purpose of SWOT analysis is to determine the various barriers or blocks of the organization and thereby it should identify the various opportunities in order to explore as well as to combat the other players in the industry.

From the study of Igor H Ansoff (1965) the analysis comprises both analyzing the critical dimensions of management and assessing the strengths & weaknesses through the form of a grid in order to provide the audit points relating to the diagnosis of various management dimensions

**Figure-1.1**

**Grid for Corporate Audit**

<table>
<thead>
<tr>
<th></th>
<th>Facilities</th>
<th>Personnel Skills</th>
<th>Organisational Capabilities</th>
<th>Management Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Management and Finance</td>
<td></td>
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<tr>
<td>R&amp;D</td>
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<tr>
<td>Marketing</td>
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</tbody>
</table>

According to R.Lenz (1980) SWOT analysis should extend a framework to reflect on the firm’s ability to overcome barriers (or threats) and grab the opportunities in the emerging environment. He highlighted that the analysis should have comparative strengths and weaknesses requires linking internal competencies with the characteristics of environment.

In his research he further highlighted the importance of various type of strategies by matching the strengths and weaknesses with opportunities and threats of the organization in order to exploit the opportunities as well as to minimize the exposure on weaknesses by blocking the threats of external environment.

1.9 Objectives of the Study:
The overall objective of the study is to ascertain the strengths, weaknesses, opportunities and threats of LIC to sustain the reliability of the LIC in the minds of policy insured.

1. To study the environmental influences with more specific reference to economic indicators viz GDP, Inflation, PLR and Per capita Income
2. To study the various strengths and weaknesses of LIC, in affording the better quality of service to the policy holders
3. To assess the strengths, weaknesses, opportunities and threats of LIC in the competitive environment in terms of man selling agents who play a pivotal role in the promotion of new policies.
4. To enumerate the enough strengths, weaknesses, opportunities and threats of LIC through the behaviour of development officers
5. To enlist the various strengths and weaknesses of LIC through the inevitable role of employees
6. To offer suggestions for sustainable performance in order to penetrate the threats of LIC.

1.10 Operational Definitions:
Agent: The person who is authorized by LIC of India to undertake selling of insurance against commission on premium
Development officer: The person who is known as first level officer in the LIC of India, vested with responsibility to create a stable organization
through increasing business of good quality. Another remarkable responsibility of development officers is to guide the agents in the grounds of procurement of new business as well as to maintain the existing insurance contracts with the present policyholders through proper administration of renewal premiums.

**Assurance:**

Insurance is the contract which undertakes the risk involved in future against the payment of consideration. The life insurance contract facilitates the insured to transfer the life risk to the insurance company or insurer against the payment of premium.

**Insured or Assured:**

The person whose life risk is insured with the insurance company against the payment of premiums as consideration of insurance contract.

**Insurer:**

The individual or organization which accepts the risk of others by getting the premium for specific term is known as Insurer.

**Policy:**

It is a product which has its own features and guidelines to cover the life risk to the specific requirement of individuals or organizations.

**First premium:**

The consideration which is paid by the insured at the inception of insurance contract to the insurance company is first premium.

**Renewal premium:**

The consideration which is dictated by the insurance company to the insured in order to pay regularly at the end of specific horizon as well as to maintain the currency of insurance contract is renewal premium.

**Maturity:**
The amount of claim is payable on the expiry of the period of insurance contract

**Commission:**
Remuneration which is normally payable to the agents for the efforts taken by him or her in procuring business. The commission of agents is paid by the insurance corporation on both first and renewal premiums.

**Annual Incentive:**
Annual Incentive is payable to the development officer on the total volume of business generated.

1.11 **Testing of Hypotheses**
The research proposal has been made to test the following null hypotheses

**Economic environment**

**H01:** There is no relationship between premium income and economic indicators of LIC viz GDP, Inflation, Per capita final expenditure and Sensex

**Policyholders**

**H01:** There is no significant difference among the demographic groups of policyholders in the acquisition of policies, purchase decisions, their delight on administrative service and the service of man selling forces

**H02:** There is no significant difference among various demographic groups of policyholders regarding the administrative service of LIC of India

**H03:** There is no significant difference on the service of man selling force among the various demographic groups of policyholders

**H04:** There is no significant difference on the marketing practices of LIC among the various demographic groups of policyholders

**H05:** There is no significant difference on the product management practices of LIC among the various groups of policyholders

**H06:** There is no significant difference on ITES practices of LIC among the various demographic groups of policyholders
Agents

**H01:** There is no significant difference among the various demographic groups of agents in their satisfaction, preferences of policies, influences during the sale of policies, influences during the sale of new policies, regional preferences, dominance of threats, influences of weaknesses, on the sale of policies

**H02:** There is no significant difference among the various demographic groups of agents pertaining to the influence of development officers

**H03:** There is no significant difference among the various demographic groups of agents in the training and development of LIC

**H04:** There is no significant difference among the various demographic groups of agents in advertising and sales promotion practices

**H05:** There is no significant difference among the various demographic groups of agents regarding product management practices of LIC

**H06:** There is no significant difference among the various demographic groups of agents on the role of IRDA

**H07:** There is no significant difference among the various demographic groups of agents about timely service practices

**H08:** There is no significant difference among the various demographic groups of agents in bancassurance model practices

**H09:** There is no significant difference on 'brand names which are indicative of policies and features' between the policyholders and agents

**H010:** There is no significant difference on 'Grievances are effectively handled and redressed with appropriate actions' between the policyholders and agents.

**H011:** There is no significant difference on 'Reminder notices are regularly serviced by the office' between the policyholders and agents.
H012: There is no significant difference on ‘IRDA regime enhances the quality of agents in rendering service’ between the policyholders and agents

H013: There is no significant difference on ‘Loans are disposed at speedier in process to the tune of requirements’ between the policyholders and agents

H014: There is no significant difference on ‘Web site of insurance corporation provides enough details to aid the purchase decision of insurance policies’ between the policyholders and agents

**Development officers**

H01: There is no significant differences among the various demographic groups of development officers in the preferences on their satisfaction, priorities of policies during the moment of sale, influences on the sale of policies, threats on recruitment of agents, dominant qualities of advertisement, brand positioning tools of advertisement, weaknesses of personnel distribution system, threats of LIC

H02: There is no significant difference on training and development practices of LIC for agents among the various demographic groups of development officers.

H03: There is no significant difference among the various demographic groups of DOs towards the various influences viz experience, marital status and nature of occupation of agents on the performance of themselves.

H04: There is no significant difference among the various demographic groups towards sales promotional practices of LIC

H05: There is no significant difference among the various demographic groups in sales promotional practices of LIC

H06: There is no significant difference among the various demographic groups in Automation practices of LIC

H07: There is no significant difference among the various demographic groups regarding the bancassurance practices of LIC.
H08: There is no significant difference on the selection of regions viz rural, urban, semi-urban and metropolitan /cosmopolitan areas between the agents and development officers during the sale of policies.

H09: There is no significant difference on the type of insurance products during the sale between agents and development officers.

H010: There is no significant difference on the competency of training programmes to enhance the morale between the agents and development officers.

H011: There is no significant difference on the handling and redressal of grievances of policyholders between the agents and development officers.

H012: There is no significant difference on the periodical regulatory measures which prevents the objectives of sales promotion between the agents and development officers.

H013: There is no significant difference on the felicitation of policyholders’ birthdays and wedding anniversaries between the agents and development officers towards the maintenance of policyholders’ relationship management.

H014: There is no significant difference on the sale of policy which mainly focuses on the monetary benefits / incentives during the moment of sale between the agents and development officers.

H015: There is no significant difference on preference is more towards the traditional life insurance products due to established brand identity as forefront in the industry between the agents and development officers.

H016: There is no significant difference on the bancassurance which curtails the sale of new policies between the agents and development officers.

H017: There is no significant difference on the anywhere payment of premium between agents and development officers.

Employees
**H01:** There is no significant difference among the various occupation (designation) groups of employees on the factors towards purchase of policies, non-purchase of policies, satisfaction during the service, non-satisfaction during the service, threats during the sale of policies, defective service, and better service during the insurance contract.

**H02:** There is no significant difference among the various designation groups of employees about the service of LIC of India.

**H03:** There is no significant difference among the various designation groups of employees regarding the administrative practices of LIC of India.

**H04:** There is no significant difference on brand influence of LIC on the behavioural aspects of various designation groups of employees.

### 1.12 Scope of the Study:

The study is being designed to analyse the strengths, weaknesses, opportunities and threats of LIC of India, Madurai Division by reckoning the behavioural influences of stakeholders viz. Policyholders, Agents, Development officers and Employees. The study also ventures to enlist the economic environmental influences on the performance of seven branches in Madurai revenue district.

The well established organization in the insurance industry warrants the researcher to carry out the study within the limits of Madurai revenue district due to constraint of time. The study also attempts to find out the reasons to overcome the threats as well as to minimize the weaknesses in order to grab more opportunities through various strengths of LIC. Hence the study paves a pathway for LIC to sustain over the other competitive players in the insurance industry.

### 1.13 Area of the Study:

The researcher has chosen Madurai division of LIC of Madurai revenue district for the present study, which comprises Madurai city.
The present study of SWOT analysis covers the various branches of LIC in the enlisted regions at the residential and commercial areas.

1.14 Methodology of the study:
In view of the volume of data from various sample surveys and secondary sources presented in this dissertation warranted descriptive research, the research problem and interview schedules have been coined accordingly.

Collection of Data:
The study has been wholly evolved on the primary and secondary data.

Primary Data
The methodology used for this survey consisted of primary research, with insights catalogued through structured interview schedules with policyholders, agents, development officers and employees of LIC of India, Madurai division.

Secondary Data
The necessary information and required particulars regarding the no of policies sold, premium income both single and renewal, no of agents, no of development officers figures for the years from FY 1996-97 to FY 2008-09 have been collected from the fact sheets of Profile of Madurai division and Yokashema

Sampling Design
There are seven branches viz City Branch Office-I (Railway Junction), City Branch Office-II (Palace Road), City Branch Officer-III (Meenakshi Amman Temple), City Branch Office (Arapalayam), Career Agent Branch (Sellur), Tallakulam Branch and Tirunagar branch in LIC of India with reference to Madurai division and revenue district. Out of the judicious mix of 7 branches the policyholders, agents, development officers and employees have been chosen for the research study in order to ensure that the analysis
have been chosen for the research study in order to ensure that the analysis drawn and recommendation made are representative of the LIC of India of Madurai division.

The primary data have been collected from 201 policyholders, 54 agents, 56 development officers and 43 employees representing seven branches of LIC, Madurai division, across the revenue district. Judgement sampling method has been adopted to select the sample of policyholders, agents, development officers and employees.

G-power 3 an exclusive software was made use of by the researcher in order to justify the rationale selection of sample respondents of policyholders, agents, development officers and employees of LIC.

The population of Madurai division of policyholders is infinite. The sample size is 201 based upon 1-β in terms of 84.664 percent.

The population of agents for the study has been found to be 5005 by summing up the total agents strengths of seven branches at the end of FY 2008-09. Having considered this population as infinite in size, G power -3 was applied. The sample of 54 agents chosen has been rationally justified (1-β) 77.0545 percent for the opted effect size of .5 and for the maximum number of 6 groups used in this research study.
To justify the sample of development officers 54 out of finite population for seven branches amounted 113, the (1-β) was 85.67 percent for the effect size of .45 and sample size of 78, was corrected to the tune of finite sample size amounted 46 which was lower than the chosen sample of 54 development officers from seven branches.

The sample of 43 employees has been considered out of 172 from seven branches with effect size of .6 and (1-β) has been identified as 80 percent with infinite sample 55, has to be corrected through correction factor results 42, was required to collect for Annova test but for the non parametric test the actual is anticipated to be less than the calculated through G power -3.
**Research Instrument**

Research instruments used in this study were a comprehensive and very formulated interview schedules. The specimen copy of interview schedules is shown in the appendices of this research report.

**Plan of Analysis**

As regards the testing of hypotheses and fulfilling of the aim and objectives of the study, percentage analysis, chi-square analysis, T-test, Annova, Man-Whitney, Kruskal Wallis, and Factor analysis have been applied as statistical tools.

**Statistical Tools**

**T-Test**

T-test is one of the best statistical tools to test the differences between two independent samples from the same population provided the collected data are normally distributed.

**Annova**

Annova is another powerful tool of analysis to test the differences between more than two independent samples drawn from the same population where the data collected are normally distributed.
Man-Whitney
It is the best test to study the mean differences on preferences between two independent samples of same population as well as used as a replacement tool of analysis for T-test when data are not normally distributed.

Kruskal Wallis
It is another best test from non-parametric category to study the mean differences on preferences between more than two samples of same population as well as a tool of replacement for ANOVA when normal distribution is not in existence.

Factor Reduction or Factor Analysis
It is another vital tool of analysis to determine most important factors prevalent among the various variables which represent through interval scale. The most important factors are identified on the basis of loading factor from each construct, considered to be dominant variable over the others under the constructs.

Period of Study
The period of the present study relates to thirteen years ranging from FY 1996-1997 to FY 2008-2009

1.15 Economic Environmental influences Vs Performance of Division
The threats of Life insurance corporation, Madurai division have been studied to the tune of influences of macroeconomic indicators viz GDP, Wholesale price index (Measure of Inflation) and Per capita Final Expenditure. To identify the influences of macroeconomic indicators on the annual premium of seven branches of Madurai division, the simple (bivariate) correlation was applied. The economic indicators of GDP, Wholesale price index and Per capita Final Expenditure and Sensex for the study period are shown in the appendices of this research report.
To study the impact of economic environment in the performance of LIC of India, Madurai division seven branches, correlation has been applied. The Karl Pearson Coefficients were determined for seven branches with various economic indicators.

**TABLE-1.1**

MADURAI DIVISION SEVEN BRANCHES TOTAL PREMIUM RS(LAKH)

<table>
<thead>
<tr>
<th>Year</th>
<th>CBO-I</th>
<th>CBO-II</th>
<th>CBO-III</th>
<th>CBO-IV</th>
<th>CAB</th>
<th>Tallakulam</th>
<th>Tirunagar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>3169.22</td>
<td>2716.62</td>
<td>2298.04</td>
<td>1261.16</td>
<td>1571.44</td>
<td>2442.3</td>
<td>1751.23</td>
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<tr>
<td>1997-98</td>
<td>3095.93</td>
<td>4345.52</td>
<td>3070.43</td>
<td>1695.47</td>
<td>1400.17</td>
<td>3266.55</td>
<td>2724.56</td>
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<td>1998-99</td>
<td>2626.7</td>
<td>4558.22</td>
<td>3462.68</td>
<td>2022.89</td>
<td>1760.04</td>
<td>4826.83</td>
<td>4022.88</td>
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<td>1999-2000</td>
<td>3361.42</td>
<td>5459.86</td>
<td>4546.64</td>
<td>2582.7</td>
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<td>2000-01</td>
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<td>3760</td>
<td>3080.3</td>
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<td>3403</td>
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<td>2702.4</td>
<td>1781.48</td>
<td>1174.58</td>
<td>976.68</td>
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<td>2003-04</td>
<td>2890</td>
<td>2912.5</td>
<td>2171.01</td>
<td>1465.47</td>
<td>1121.94</td>
<td>3139.02</td>
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<td>2004-05</td>
<td>3342.23</td>
<td>3614.34</td>
<td>2827.68</td>
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</tr>
<tr>
<td>2005-06</td>
<td>3428.98</td>
<td>3723.6</td>
<td>2892.28</td>
<td>2142.74</td>
<td>1499.27</td>
<td>4122.74</td>
<td>3200.05</td>
</tr>
<tr>
<td>2006-07</td>
<td>1806.07</td>
<td>1756.54</td>
<td>1195.6</td>
<td>1243.2</td>
<td>653.96</td>
<td>3865.9</td>
<td>2881.11</td>
</tr>
<tr>
<td>2007-08</td>
<td>3010.47</td>
<td>2812.91</td>
<td>1639.03</td>
<td>1846.71</td>
<td>906.11</td>
<td>4347.43</td>
<td>3519.12</td>
</tr>
<tr>
<td>2008-09</td>
<td>3412.1</td>
<td>3342.8</td>
<td>2499.3</td>
<td>2601.01</td>
<td>1421.11</td>
<td>4909.11</td>
<td>4014.23</td>
</tr>
</tbody>
</table>

Source: Profile Madurai Division

**Null Hypothesis (H0):** There is no significant relationship between Economic indicators viz GDP, Inflation (WPI), Per capita Final Expenditure, BSE Sensex and Premium Income of Seven branches of LIC of India Madurai Division.

**Alternate Hypothesis (Ha):** There is significant relationship between Economic indicators viz GDP, Inflation (WPI), Per capita Final Expenditure, BSE Sensex and Premium Income of Seven branches of LIC of India, Madurai Division.

It has been understood from the analysis that the null hypothesis has been rejected in the case of following branches CBO-II, CBO-III and CAB.
\begin{table}
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
Branches & GDP & Whole sale price Index(Inflation) & Percapita Final Expenditure & BSE Sensex \\
\hline
CBO-I & -.203 & -.088 & -.268 & -.360 \\
CBO-II & -.392 & -.501 & -.526 & -.501 \\
CBO-III & -.340 & -.502 & -.578 & -.48 \\
CBO-IV & -.148 & .173 & -.098 & .006 \\
CAB & -.214 & -.505 & -.651 & -.417 \\
Tallakulam & -.014 & .144 & -.042 & .080 \\
Tirunagar & .052 & .036 & -.049 & .004 \\
\hline
\end{tabular}
\end{table}

The correlation between economic indicators and total premium of seven branches is shown in the table above. It is clearly evident from the Table -1.2 that the whole sale price index as an indicator of inflation, Percapita Final Expenditure and BSE sensex have negative relationship with the performance of branches viz CBO-II(Palace road), CBO-III (Meenakshi Amman Temple and Career Agents Branch (Divisional office). The escalation in the inflation caused a decline in the volume of premium collected by the branches out of sale of policies both (first year premium and renewal premiums). It has been found percapita final expenditure has negative relationship in terms of correlation, divulged that increase in individual final expenditure in the economy resulted in declining performance in the three branches of LIC. Similarly BSE sensex recorded negative relationship with premium collection of early mentioned branches.

\textbf{1.16 Limitations of the Study}

The seven branches which are pertaining to Madurai Division restricted the researcher to collect the branch details viz number of policies sold, premium income both single and renewal, no of agents, branch contribution to the division and so on from the branch itself. Hence the data required for the research were collected from the profile of LIC of India, Madurai Division found to be more reliable and accurate than any other business data of seven branches in their annual report. It has been observed that the annual profile
of Madurai division was found to be different from one year to another due to representations and contributions from the administrative office of Division. The facts dealt in the annual profile were considered for the study to extend great clarity. However necessary care has been made to ensure that these limitations do not distort or influence the main finding of the study.

1.17 Chapter Scheme:
The dissertation comprises of eight chapters.
The First chapter deals with the introduction and research design of the study. It covers the scope, statement of the problem, objectives, methodology, sampling design, geographical coverage, collection of data, data processing, framework of analysis, economic environmental influences on the performance of Madurai Division and chapter scheme.
The Second chapter focuses on review of literature. It highlights empirical evidences and early researches on various aspects to trace the multi faceted development of insurance industry.
The Third chapter fosters to study the strengths, weaknesses, opportunities and threats of LIC with the behaviour of policyholders.
The Fourth chapter concentrates the behaviour of man selling agents more specific reference to strengths, weaknesses, opportunities and threats of LIC. It focuses on the gap analysis on certain commonly identified variables between the policyholders and agents.
The Fifth chapter explores the behavioural influences on the strengths, weaknesses, opportunities and threats of LIC. It deals with gap analysis on commonly known variables between the development officers and agents.
The Sixth chapter makes an in depth analysis pertaining to employee behaviour towards strengths, weaknesses, threats and opportunities of LIC. The Seventh chapter provides a summary of the study and concludes with appropriate suggestions.