ABSTRACT OF THE THESIS

“Evaluation of Performance of Life Insurance Corporation of India with Special Reference to Aurangabad Division”

An Abstract Submitted in partial fulfillment of the requirements for the degree of the Doctor of Philosophy in the faculty of Commerce

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Introduction:

The Life Insurance in modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. With 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC’s Wide Area Network covers 100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC’s ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

The Government of India took the first step towards nationalization of Life Assurance Business in India on the 19th January 1956, by promulgating an ordinance vesting the management and control of Life Assurance business in India in the Central Government. The Life Insurance Corporation Act was passed by the Indian Parliament in June 1956 and it came into force on 1st July 1956. With this Act, the Life Insurance Corporation of India came into existence on 1st September 1956.
**Concept of Life Insurance:**

Insurance is a contract between insurer and insured according to which, the insurer agrees to compensate the loss of insured arising out of a specific event, during a specified period, if it takes place, the insured agrees to pay the premium regularly to the insurer.

Life Insurance Act 1938 stated “Life Insurance is a business of effecting contract of insurance upon the human life including any contract where by the payment of money is assured on death except death by accident or the happening of any contingency dependent upon human life and any contract which is the subject to the payment of premium for a term dependent on human life.”

**Why we need insurance:**

Life insurance is a contract by which you can protect yourself against specific uncertainties by paying a premium over a period since each one of us during our lives are faced with numerous risks-falling health, financial losses, accident and even fatalities.

* Protection:

You need life insurance to be there and protect the people you love, making sure that your family has a means to look after itself after you are gone. It is a thoughtful business concept designed to protect the economic value of a human life for the benefit of those financially dependent on him.

* Retirement:

Life insurance makes sure that you have regular income after you retire and helps you maintain your standard of living. It can ensure that your post-retirement years are spent in peace and comfort.

* Savings and Investments:

Life insurance is a means to save and invest. Your periodic premiums are like savings and you are assured of lump sum amount on maturity. A policy can come in handy at the time of your child’s education or marriages. Besides, it can be used as supplemental retirement income.

* Tax Benefits:

Life insurance is one of the best tax saving options today, your tax can be saved twice on a life insurance policy-once when you pay your premium and once when you receive maturity benefits. Money saved is money earned.

* Myths of Insurance:

1) Insurance is just meant for saving tax.
2) Insurance does not give good returns.
3) Insurance products are not flexible.
Objective of the study:
The present study is undertaken mainly to study the Evaluation of Performance of Life Insurance Corporation of India with Special Reference to Aurangabad division.

The Principal objectives of the study are as follows.
1. To review the working of LIC in general and Aurangabad division in particular.
2. To evaluate the various schemes of LIC of India that erasures promotion of its business.
3. To analyses LIC’s role in rural areas.
4. To study the benefits derived by the policyholders of life insurance policies and the grievances arising out of policies and to suggest the remedies to settle them.
5. To study the impact of privatizing insurance business on the business of LIC of India and to recommend the ways and means to sacristans in competition.

Scope of the study:
The scope of the study lies in finding out the perception of customers in Aurangabad division through responses taken by 300 customers during a period of 1997-98 to 2006-07 years and highlighting the rural areas which require some concern on part of LIC of India improving upon which the company may strengthen its customer base. The present stud, analysis, findings and suggestions proposed by the present researcher will be of immense use for future researcher with similar studies in insurance market.

Research Methodology:
Being a evaluation of performance study of public and private sectors, the researcher selected LIC of India from the public sector and the private sector insurance companies. The study is mainly based on primary data collected from field source. The primary data is collected through comprehensive interviews, schedules and discussions with the policyholders of LIC companies. Secondary data are collected from various bibliographical sources such a journals, novels, magazines, publications and various websites including the official website of IRDA, LIC and of various other companies’. The published research report and manual studies also helped the researcher to robe gauge into the problem.

1. Research design:
The research is divided into two parts. The first part-helps us to understand the level of awareness, services quality, problems faced and the investor’s motive of investment findings from this information and suggesting the measures required to correct problems.
2. Research Sample:
The present study of life insurance corporation of India in Maharashtra state, under Marathwada region. Marathwada has two divisions of Life Insurance Corporation that are Aurangabad division and Nanded division. The researcher has selected Aurangabad division, that includes four districts that are Aurangabad, Beed, Latur and Osmanabad. Selected two districts viz that is Aurangabad and Osmanabad.

A primary data based on a sample of 300 respondents, from policyholders 150 Aurangabad district, 150 from Osmanabad district were identified randomly for detailed study and analysis. The researcher used stratified random sampling technique for collecting the primary data. The population of Aurangabad division is divided into two strataums such as urban and rural an equal number of samples are drawn from each stratum.

The secondary data is collected from various bibliographical sources such as journals, novels magazines, publications and various websites including the official website of IRDA, LIC and various other company websites. The published research reports and market also helped the researcher to gage into the problem.

3. Statement of the Problem:
Policyholders satisfaction is the true differentiator for the success of any business and is more so in insurance where the products are perceived to be intangible. The four main aspects i.e. awareness level, service quality, problems faced and rationale behind investment has to be clearly known to policyholders.

4. Limitations of the study:
In spite of every care taken on the part of the researcher here were certain limitations which could not be overcome and are as follows.
* Some of the persons were not so responsive.
* On account of individual constraints on the part of researcher.
* Sample size is tacky limited to 300 policyholders only.
The sample size may not adequately represent the whole market.
* The study period is confined to 10 years i.e. 1997-1998 to 2006-2007 only.
* The research study is pertaining to Aurangabad division.

Chapters Scheme:
The present study consists of eight chapters.

The first Chapter is history of Life Insurance, Nationalization of Life Insurance, Meaning & definition of Life Insurance, Objective of Life Insurance, Importance of Life Insurance, Progress of Life Insurance, Networking of Life Insurance, Insurance and various schemes of Life Insurance and Life Insurance Vs Other savings,
Structure of Life Insurance Corporation of India. The Objective of the present study, Methodology adapted to study.

The second chapter presents the review of the current and relevant literature on the subject. The literature on Life Insurance Corporation of India is reviewed in this chapter.

The third chapter contains the progress of Life Insurance Corporation in general, and Aurangabad division, in particular, during the period from 1996-97 to 2006-2007.

The fourth chapter is on evaluation of the various schemes of Life Insurance Corporation of India. This chapter covers background, basic elements and insurance policies.

The fifth chapter describes the role of life insurance corporation of India in rural areas and recommendations for making them more effective.

The sixth chapter is on the policyholders’ benefits and grievances.

The seventh chapter describes impact of the privatization on LIC business. In this chapter globalization, history of LIC, changing scenario of LIC, Privatization of LIC, globalization and it’s impact on LIC, etc. have been briefly described.

The eighth chapter contains the conclusions based on the present research work.

It seems unlikely that the LIC and the GIC will shrivel up and die within the next decade or two. The IRDA has taken a "slowly slowly" approach. It has been very cautious in granting licenses. It has set up fairly strict standards for all aspects of the insurance business (with the probable exception of the disclosure requirements). The regulators always walk a fine line. Too many regulations kill the incentive for the newcomers; too relaxed regulations may induce failure and fraud that led to nationalization in the first place. India is not unique among the developing countries where the insurance business has been opened up to foreign competitors. However, openness of the market did not mean a takeover by foreign companies even in a decade. Thus, it is unlikely that the same will happen in India, especially when the foreign insurers cannot have a majority shareholding in any company.

It may be concluded that the scenario on account of competition from the private parties has been mostly overstated in the past, to some extent. It also appears that the PSU insurers have tackled the situation most admirably. It is in the area of the changed economic scenario that the skill of the insurers is likely to be tested to the maximum. While it is to be said that not one of the above suggestions may be taken as a panacea in itself to counter the situation, the combined effects of all the aspects taken together may promise to be significant.
The Indian Government and policymakers have, thus, found themselves at cross-roads more than once. The large scale fraudulent practices, mismanagement of companies in the first half of the early twentieth century resulted in a major restructuring of the industry and caused the sector to transform from an unregulated to a highly regulated one. The industry functioned under a monopoly for several decades, thereafter. However, other problems also surfaced such as limited reach and penetration of enterprise and deteriorating servicing standards. In 1991, with the Indian Government initiating liberalization of various other strategic industries, a possible change in strategy was supported by various committees and experts. A milestone was achieved when the nation decided to privatize the industry along with the requisite regulations.

**Learning**

This study has given me a good opportunity to learn a lot about the insurance sector, in general, and the LIC of India, in particular, and especially about the basic technicalities involved right from selling to servicing; and, lastly the claim settlement process. I also had a chance to see how closing takes place in insurance companies. While dealing with the retail customers, I had a really enriching experience. I learnt how to judge a customer and offer him/her a product which would interest him/her. Also, working in a real office environment provided me additional experience.

The entry of the private sector insurance companies into the Indian insurance sector triggered off a series of changes in the industry. Even with the stiff competition in the market place, it is evident from the study that the public sector giant, the LIC of India, dominates the Indian insurance industry. In today's competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to serve. Increased competition, wide range of product offerings and multiple distribution channels cause companies to value satisfied and highly profitable customers. Customer service is the critical success factor in a company and providing top notch customer service differentiates great customer service from indifferent customer service.

Research Guide

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