CHAPTER - VIII
SUMMARY AND CONCLUSIONS.
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8.1 From the foregoing analysis, the following is the brief summary of present study on the basis of which the broad conclusions are drawn for the purpose of suitable policy perspectives.

1. Insurance is a subject of growing importance for all the time, it is a special social device to reduce or eliminate risks of loss of life, property and productive activity or some time uncertainty with respect to financial loss. Risk always conveys possibility of loss and of uncertainty with respect to its occurrence. The risk is measured by subjective probability and uncertainty is measured by a subjective degree of belief. Now the scope of insurance science is much wider and extensive, various types of policies have been developed in the country against risks on life, marine, accident, theft burglary etc.

The story of insurance is as old as the story of mankind. Though the concept of insurance is largely a development of the recent past (particularly after the industrial era, past few centuries), its beginning date back to almost 6000 years. Insurance history is part of the history of commerce and navigation. The earliest traces of insurance in the ancient countries of the world are found in the form of marine, trade loans or carrier’s contracts, which included an element of insurance and ancient Indian history preserves many reliable records of this nature. The Veda, particularly the Atharvaveda, named insurance as
Yogakshema, on the strength of two Slokas in Manu's Smriti. The Hindus of ancient times had an elaborate system of bottomry contracts, accordingly they had derived from Babylon. However, the perfect description of the existence of the system found in Kautilya’s Arthashastra and Yajnyavalkya’s Dharmashastra, which show the remarkably logical and clear conceptions for which the ancient Hindus were reputed. According to the works of Manu, Yajnyavalkya and Kautilya India of their times had established network of business relations based on a wide spread system of her oceanic transport and the excellence of her world famous handicrafts and her overseas trade was in a very flourishing condition.

3. Life insurance is a part of the insurance. It is a contract in which the insurer, in consideration of a certain premium, either in a lumpsum or by other periodical payments, agrees to the assured or to the person for whose benefit the policy is taken, the assured sum of money on the happening of a specified event contingent on the human. Until the eighteenth century, life insurance was known only as a yearly contract developed probably from marine insurance. During eighteenth century, life business was confined to a limited age group and uniform rate of premium, which seems to have been charged for wide ranges of ages. The different kinds of life insurance and provident institutions were traced back to the middle age people. France, Belgium and Holland were mainly concerned with pension, besides the theory of annuities was first developed in the Netherlands. Pension funds for government employees were types of
institutions prevalent before the advent of life insurance. A life insurance company was started in France in 1787, but it came to an end within six years. Life assurance really began in Holland in 1807, followed by France, Belgium, Germany and Austria in 1820’s. During mid 19th century Denmark, Norway, Sweden and Switzerland, entered the field of life insurance.

4. The Indian Joint Family System was the first solid economic system, which provided social security to all its members. Bombay Life Assurance Company was founded in Bombay on 1st May 1823, Madras Widows was started in 1834. The Hindu Family Annuity Fund was founded in 1872 in Calcutta, which gave a financial help to Hindu widows and orphans through annuities. Life insurance in its modern form came to India from England as far back as in 1818. The Oriental Life Insurance Company was the first on Indian Soil, which started in Calcutta mainly by Europeans, to help the widows of their community. At the turn of the 19th century many insurance companies were born, and thrived. During the 20th Century, the Swadeshi movement of 1905 to 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. Hindustan Co-operative Insurance Company (1907) in Calcutta, the Indian Mercantile (1907) in Bombay, General Assurance (1908) at Ajmer and the Swadeshi Life (Later Bombay life) in Bombay in 1908 were established. In fact, the Universal Life Assurance Company, which started
operation in 1840 in India, was taken over by North British in 1901 and became a part of LIC in 1956. Therefore, the LIC of India came into being on 1st September, 1956 by merging of 243 different units in the country. When the corporation, had total assets of about Rs.411 crores came into the hands of the LIC. Thus, the LIC emerged as the single largest mobilizer and investor in different states and central government security, in public sector and also shares and debentures in the private sector.

5. Transaction of insurance business is based on certain fundamental principles, where such principles are applicable to all types of insurance, except life insurance. The important principles are co-operation, Insurable interest, principle of indemnity, probability principles, principles of utmost good faith and warranties, principle of subrogation, contribution principle, principle of causa proxima and principle of mitigation of loss. All these principles are useful for carrying the transactions of insurance business. Double insurance and Re-insurance are the methods through which insurer may procure the insurance business from the insured. Similarly, insured may claim the sum more than one companies with same subject matter under different policies. Under the re-insurance, some portion of the risk of loss is transferred to another insurance companies. Origin of insurance was for the development of business. Business will enhance the acceleration of the development of the economy. The process of economic development depends on the development of industry and
commerce which are the key factors of the economy next to the agriculture and allied activities. Insurance undertakes both protective and promotional assistance to the basic industries. Hence, insurance helps both directly and indirectly contributors to the economic development in the country.

6. Since the concept of family undergoing metamorphosis, changing economic policies, declining birth rate as well as mortality rate, increasing old age people widening the huge pension market, growing terrorism, rising number of accidents and calamities, the spread of disease like ‘AIDS’, growing unemployment, increasing importance of health care facilities etc.-all have calls for the necessity of life insurance in India. Therefore, life insurer has constantly studied the emerging needs of the market, arising due to the change in the values of social life. In order to accelerate the process of economic growth, a country has to boost up its level of investment. This investment can be financed through internal or external savings. The volume of aggregate savings in India mainly depends on the government sector, corporate and household. The household sector accounts for the bulk of savings. This can be measured by the total of financial savings and savings in physical assets. The savings in physical form are less productive, while savings in financial form are more productive in various degrees depending upon their use.

7. The LIC was formed forty six years ago by welding together 243 erstwhile companies with different standards of working and efficiency into an autonomous
body. The main object of nationalisation was to spread the message of insurance in the neglected areas and to mobilize the savings of every eligible person, by making available benefits of the insurance and also the utilization of savings of the people by investing them in such a manner as would ensure safety and profitability to the individuals. Hence, it was playing an intermediary role in the economy through the capital market. Savings through the life insurance has become increasingly popular, which is the excess of income over its outgo consist of a vast accumulation of wealth. The life fund has reached the figure of Rs.1,27,389.06 crores (as on 31st March 1999), and the average amount of additional savings was about Rs.18,027.87 crores during the period from 1956 to 1997. The LIC has motivated the people to save by offering to them numerous schemes under different policies. Endowment assurance and money back policies are the most popular and collected about 58.13 per cent of the total savings in 1998.

8. LIC has been mobilizing its resources from different kinds of its business activities. Business in force is a method, through which life insurance business was increased from Rs.2,619.54 crores of sum assured under 85.77 lakh policies in 1961 to Rs.4,59,201 crores of sum assured under 917.26 lakh policies in 1999. New business is another method, which was increased from Rs.336.67 crores under 9,41,654 lakh policies in 1957 to Rs.75,606.26 crores under the 1,48,57,043 policies in 1999. It is found that both business in force and the new business shows a better progress during the course. The total new business of LIC has been procured from both rural and urban areas, but prior to
nationalization of the corporation, rural areas were largely neglected. It is further found that the urban new business was increased from Rs.416.20 crores of sum assured under 9.28 lakh policies in 1961 to Rs.47,046.06 crores of sum assured under 72.73 lakh policies in 2000. In contrast to this, rural area has been lagging behind. The new business of the rural area was Rs.182.59 crores of sum assured under 5.34 lakh policies in 1961 to Rs.44,168.19 crores of sum assured under 97.04 lakh policies in the year 2000. Hence, life insurance in India has failed to cater to needs of the vast sections of the society. But for spreading life insurance in rural areas, it has come forward by opening up of new branches, appointment of development officers and local agents in rural areas, securing co-operation of panchayats and co-operatives for publicity, introduction of non-medical schemes at suitable places on single life and equipping all divisional offices with necessary facilities for popularizing the life insurance business among the villagers and making them insurance minded.

9. The LIC has been procuring its business from different zones of the country. It is evident from the business indicators that the spread of life insurance is negatively correlated to the proportion of rural population. Number of policies per 1000 population and per capita sum assured are low in the zones having high concentration of rural population. East and central zones with high concentration of rural population have less policies per thousand and per capita sum assured as compared to the West, North and South zones. But the central
zone having less policies per 1000 population and low per capita sum assured shows a high average sum assured per policy. It indicates that insurance coverage is confined to a smaller and better-off section of the population. The Western Zone has occupied the top rank in terms of average sum assured per policy, which increased from Rs.3,778 in 1995 to Rs.61,933 in 1999. In the Northern zone, its average sum assured per policy was increased from Rs.4,377 in 1957 to Rs.58,756 in 1999, but in the Eastern zone, it was increased from Rs.3,416 in 1957 to Rs.44,958 in 1999. Hence, it is found that the performance of eastern zone is very poor, while procuring life insurance business in terms of average sum assured.

10. To accelerate the economic development, the government has chosen the system of mixed economy. Savings and investment rate during the early plan periods were not satisfactory as was expected. In view of this, LIC has been playing a vital role in the economic and social life of the country. LIC is the largest single investor in the country. Its investment operations have to conform to national objectives and serve the larger social and economic interest of the country. According to the insurance Act 1938, the LIC is required to invest 50 per cent of its funds in government and other approved securities; 15 per cent in other investments including loans to state government for housing and water supply schemes, municipal corporations etc. and the remaining 35 per cent of its funds can be invested in approved investments including shares and debentures of public and private limited companies, co-operative societies, immovable
property etc. The investment policies of the LIC are more or less similar to those of insurance companies of other countries. It is argued that investment policies of the LIC have not benefited the policyholders. Policyholders in India are paying high premium but receiving bonus at low rates. But the major factors responsible for high premium and low bonus rates are mainly the investment policies not being correctly adjusted to the actual mortality experience.

11. The LIC is basically an organisation for selling policies of life insurance protection to its consumers and financial institutions of great importance. It collects premium from a large number of policyholders for meeting the current years cost of insurance, management expenses and for accumulating a life insurance fund. Life insurance company, which is successfully expanding its business will have an ever increasing life insurance fund at its disposal. The life insurance fund of the LIC (investible) was increased from 14.12 per cent in 1987 to 20.74 per cent in 1999, which really exhibits a better progress of life insurance in India, where these funds are important aspects for its investments. LIC assets are playing a significant role in economic development. There is a direct relationship between LIC assets and returns from its distributed investments. Increasing LIC assets give way for augmenting their rewards to the various sectors of the economy. Further, among the total assets represented by the LIC, investment has occupied the top position of all the assets.
Investment analysis of the LIC highlights that the investment in public sector (in terms of absolute figure) was increased tremendously from Rs.255.13 crores in 1957 to Rs.96,410.45 crores in 1999, but in terms of percentage to the total investment made by LIC in India it has been fluctuating since 1957. The mean growth rate of public sector investment was increased from 12.33 per cent in the first decade (1958 to 1967) to 13.74 per cent during the second decade (1968 to 1977) and again rose to 14.50 per cent during the third decade (1978 to 1987) and reached to 20.48 per cent during the fourth decade (1988 to 1997). The corresponding figure of the co-operative sector (in absolute terms) was Rs.20.28 crores in 1963 and rose to Rs.2094.53 crores in 1999, but in terms of percentage to the total investments of LIC, it was fluctuated in the beginning and declined to 1.84 per cent in 1999. The mean growth rate of investment of the co-operative sector in decade-wise was declined from 26.22 per cent in the first decade (1963 to 1972) to 14.28 per cent during the second decade (1973 to 1982) and from 7.59 per cent during third decade (1983 to 1992) to 4.28 per cent during next seven years (1993 to 1999), while the investment of private sector (in absolute figure) was increased from Rs.74.62 crores in 1957 to Rs.15,597.71 crores in 1999. The share of private sector in the total investment of the LIC was declined from 22.63 per cent in 1957 to 13.67 per cent in 1999, when compared to the public sector. But the mean growth rate of the private sector investment in decade wise was also increased, as in the public sector except for the years from 1967 to 1978, which was 9.14 per cent during the
period from 1957 to 1966, to the 21.27 per cent during the period from 1987 to 1996. Hence, the mean growth rate of the private sector had been rising compared to the public sector investments made by LIC, showing a better progress particularly after the new economic reforms commenced in 1991. On the other hand, investment made by the LIC into the joint sector showed a poor and negative trend during the study period.

12. Investment of LIC funds for serving the best interest of the policy holders and the nation is one of the main objectives of LIC. To fulfil this objective the corporation has taken up its lending operations to various sectors of the economy in different ways. LIC has made good progress both in respect of sanctions and disbursements during the post-liberalisation span as compared to the other non-banking financial institutions. The assistance sanctioned and disbursement were respectively increased from Rs.3,187.20 (13.19 per cent) crores to Rs.20,968.4 (86.81 per cent) crore and from Rs.2,552.60 (11.69 per cent) crores to Rs.19,280 (88.31 per cent) crores during the period from pre-liberalization (1980 to 1990) to the post liberalization period (1991 to 1999). On the other hand, the UTI sanctions were increased from Rs.6,699.4 crores (12.06 per cent) during the pre-liberalisation period to Rs.48,846.2 crores (87.94 per cent) in the post-liberalisation. Similarly, its disbursement was also increased from Rs.4,815.2 (11.33 per cent) crores in pre-liberalization period to Rs.37,692.7 (88.67 per cent) crores during the post-liberalisation period. The
lending capacity of the UTI is meagerly increased in terms of sanctions and disbursement as compared to the LIC. Another significant counter parts of the LIC is the GIC, but the progress of GIC in terms of sanctions and disbursement is not quite satisfactory as compared to the LIC. Sanctions of GIC were increased from Rs.1,308.4 (14.87 per cent) crores in the pre-liberalization period (1980 to 1989) to Rs.7,486.1 (85.13 per cent) crores during the post-liberalization period (1990 to 1999) similarly, disbursement of GIC was from Rs.1,037.5 (15.48 per cent) crores to Rs.5,664.5 (84.52 per cent) crores during the period from pre-liberalization to post-liberalization period. The lending of LIC to the corporate sector in terms of sanctions and disbursement is more significant compared to its counter parts.

13. The loans advanced by the LIC to the various developmental activities particularly housing, power generations, water supply and sewerage and transport have increased more than two times during the post-liberalization period, when compared to the pre-liberalization period. Its assistance to industries in respect of basic metals, electricity generation and service industry have shown a better progress, compared to the textile and chemical products industries during the post-liberalization period. With regard to the scheme wise assistance sanctioned by the LIC in the form of loans, preference shares, debentures, underwriting was also increased from 73 per cent in the pre-liberalization period (1956 to 1991) to 88.1 per cent during the post-
liberalization (1991 to 1999) period. Regarding the state-wise assistance, Maharashtra and Delhi occupied the top most position both in respect of sanctions and disbursement, as compared to the Gujarat, Tamil Nadu and West-Bengal. Similarly, in respect of LIC sanctions and disbursements compared to the UTI, Delhi has received 482.17 per cent and 540.42 per cent respectively during the said period, but the remaining states also showed a quite impressive. Hence, the rich states like Delhi, and Maharashtra have received more assistance against to the backward states like Gujarath, Tamil Nadu and West Bengal.

14. A balanced regional development is one of the objectives of five year plans in India. Every endeavour has been made to reduce regional imbalances as emphasized by the government for correcting economic disparities in different states in India. The LIC being the largest public sector investor and as a government owned institution in the country has formulated its investment policy with the avowed intention of reducing possible imbalances in the economic development of different states in India. The western zone has occupied the highest position in terms of investments made by the LIC, which has increased from 25.06 per cent in 1996 to 37.69 per cent in 1999 of the total stock exchange securities, in contrast to which, central zone stands very low and declined from 4.91 per cent in 1996 to 3.48 per cent in 1999. Within a zone, there was a wide variations from one mode of investment to another in different states. The investment of LIC in stock exchange securities has concentrated
mainly in debentures and shares of companies and state government securities, while it neglected the shares of state financial corporation, municipal securities and port trust debentures, debentures of land development banks and bonds of state financial corporations.

15. Further, the LIC has many fold relations with its neighbouring countries for pursuing its life insurance business, particularly with Burma, Fiji (Suva), Mauritius, Srilanka, Uganda and Hongkong. Investment in UK has declined from 55.95 per cent to 41.73 per cent to the total investment made out side the India during the period from 1996 to 1999. But, in Fiji it has constantly increased from 36.76 per cent in 1996 to 42.44 per cent in 1999. And the direction of LIC investment has shifted from UK to Fiji. Further, it has concentrated more in government securities and municipal and other securities than in debentures and shares of joint stock companies, loans to housing authority and on mortgage of property.

16. The LIC of India has been working as a business organisation and a government owned monolithic institution since its inception. The LIC has been facing some major problems like high premium cost, lapsation of the policies, over staffing, lack of competition and lagging in the software technology etc. The LIC derives its income from premium collection, net investment income and miscellaneous income. The premium income of the corporation has increased considerably, but its relative share in the total income dropped to 61.39 per cent in the year 2000
from 67.47 per cent in 1980. It was because of rise in the net investment income to the total income of the LIC, which increased from 31.97 per cent in 1980 to 35.89 per cent in the year 2000. This rise is due to the steady increase in the realised gross rate of interest of its investment operations from 7.89 per cent in 1980 to over 12.08 per cent in 2000.

The LIC outgo is the financial outflow paid out from the income of the corporation to mitigate the expenses of management, which are the costs of procuring, maintaining and operating business includes salaries and other benefits to the employees, commission and allowances to the agents, and other running expenses. The total outgo in relation to income shows a bit of rising trend from 45.93 per cent in 1980 to 49.86 per cent in 1999, but it declined to 40.46 per cent in 2000. It was due to the dwindling in the expenditure by way of salary and other benefits to employees, commission to agents and other management expenses. Therefore, the total outgo of the LIC has been shrinking in terms of percentage, but in absolute figure it rose from Rs.596.01 crore in 1980 to Rs.18,101.93 crores in 2000. And the mean growth rate of the total outgo was increased from 16.87 per cent to 19.96 per cent during the period from pre-liberalization to the post-liberalization period. The analysis of the profitability of the LIC has revealed that the mean growth rate of the profit has increased from 19.06 per cent to 21.51 per cent during the period from pre-liberalization to the post-liberalization period. The ratio of profit to the total
income has increased from 54.07 per cent to 59.53 per cent with quite fluctuations during the period from 1980 to 2000. Hence, the declining trends in the policy payments, overall expense ratio and renewal expenses ratio are the mainly responsible for rising trend in the profitability of the LIC.

17. After declaration of the industrial policy resolution in 1948, the public sector enjoyed a prime position in India. Returns on investment in public sector is dismally cow, hence in recent years some voice is raised against the public sector and in favour of the private sector. Therefore, there is a wave for privatization in the whole world. Privatization is an economic measure which has now been resorted to by more than 75 countries around the world. The waves of privatization in India has been generated during the 80’s under the regime of Prime Minister late Shri. Rajiv Gandhi and continued slowly and steadily in the office of Primer Minister Narasimha Rao. With regard to the privatization in India, a number of reforms are introduced in the insurance sector including life insurance in India.

LIC has been functioning as a single player in the arena of life insurance for the last 46 years from 1956 to the year 2002, when the insurance industry was opened up and private insurance companies entered the field, to undertake major changes in both qualitative and quantitative aspects of insurance sector. It may be preluded the earlier situation as the life insurance funds account for only 10 per cent of the gross household savings in financial assets, premium
constitutes only 6 per cent of GDS, only 22 per cent of insurable population has been tapped (as per Malhotra Committee Report), indicating low market penetration, 80 per cent of the LIC investments are in the public sector and a very small proportion of its investments is in the private sector. Therefore, India has a big potential in the life insurance sector. She has an young demographic profile, where two-third of its population is under the age of 30, about 10 per cent of the population is over 60 years of age. By 2030, the Indian population is expected to stabilize at about 1.1 billion, about 20 per cent of which will be over 60. Keeping in view its business indicators as compared with other overseas insurance sector, the life insurance density (premium per capita) in India is very small and ranked 79th in the world. The developed countries like Switzerland, Japan and USA bagged first, second and third respectively in the ranking order. India’s life insurance premium as a percentage of GDS and GDP ranked 27th i.e. 6 per cent of GDS and 2 per cent of GDP, whereas in South Africa and UK it was over 50 per cent, and 26 per cent in France, 32 per cent in Japan and 25 per cent in USA. Therefore, there is a vast scope for mobilising insurance savings in India. Moreover, there is an assurance of Skewdness in the investment of life insurance fund. It is found that over 80 per cent of life insurance funds are invested in the public sector, basically in government and government backed securities.

Further, there is a need for the emergence of a competitive insurance industry in India. Firstly, the mobilization of domestic savings through the life
insurance is low in India, because India is a low income developing economy, whose domestic savings potential in long term assets is not as high as that of developed economy. Besides, due to the lack of innovation in the insurance market, there was a low growth of premium income. The advent of competition in the insurance market, could mobilize greater new premium and the total income of the corporation by the introduction of innovative products to the market, thereby, there is a strong demand for financing investments in infrastructure project. Secondly, the returns on savings in the form of life insurance is particularly low since the high rate of premium charged by the LIC. Rate of premium is based on mortality tables of 1975, but life expectancy in India has increased considerably since then. In a competitive insurance market, insurance companies will use to compete for customers in order to provide higher returns.

After examining the performance analysis of LIC with the global experience, it has witnessed to opening up of both life and non-life insurance industry for the new private players. With regard to this, the Government of India set up the committee on 1st April 1993 under the chairmanship of M.L. Malhotra to undertake the reforms in the insurance sector. The committee submitted its report on 1st April 1994, and identified a bunch of problems and placed them for changes in the insurance sector and the general policy framework. The IRDA bill was accepted in October 1999 by the cabinet with FDI limited to 26 per cent, and the private companies are returning into the insurance sector since 2000.
It is argued that the entry of private players in the insurance sector is that the government thoughtlessly entered into an area where no progressive steps were considered necessarily. Further, the leftist argued that all that was required to be done for the healthy existence and growth of insurance companies in India had already been done and no further progress would be needed. According to U.S. congressional Committee report in 1990, more than 420 insurance ventures collapsed, 370 of the seeking insolvency in between 1970 to 1990. Similarly, Sigma-Swiss report pointed out that most of the American Insurance Corporate-Prudentials, Metropolitan and first executive were in trouble over fines, many companies entered into the black list during the period from 1975 to 1992. Moreover, if foreign companies are allowed to enter, they will capture the lion's share of the market potential due to their enormous financial clout. Thus, the competition will become meaningless. As such the foreign companies will not provide social insurance, they will skim the prime area of operation for profit, and as a result will neglect the social sector. Besides, they will not provide subsidized insurance coverage and the customer satisfaction will be the last priority in their agenda.

8.2 **Major Findings:**

Following are the major findings drawn from the present study:

i) It is found from the analysis that the insurance is a subject of growing importance for all the time and it is a special social device to reduce or eliminate risks of loss of life, property and productive activity. The story of
insurance is probably as old as the story of mankind. Insurance history is part of the history of commerce and navigation. Veda, particularly in the Atharvavedha, has named the insurance as Yogakshema on the strength of two Slokas in Manu’s Smriti. The perfect description of the existence of the elaborate system of bottomry contracts, found in Kautilya’s Arthashastra and Yajnyavalkya’s Dharma Shastra. During the eighteenth century life business was confined to a limited age group and uniform rate of premium, seems to have been charged for wide ranges of ages.

The life insurance really began in Holland in 1807, followed by France, Belgium, Germany and Austria in 1820’s. During mid 19th century Denmark, Norway, Sweden and Switzerland entered the life insurance field. The life insurance in its modern form came to India from England as far back as in 1818. The oriental life insurance company was the first on Indian soil, which started in Calcutta mainly by Europeans, to help the widows of their community. The universal life assurance company, which was started its operation in 1840 in India, was taken-over by north British in 1901 and became a part of LIC in 1956. Hence, the LIC of India was nationalized on 1st September 1956 by merging of 243 different insurance units in the country.

ii) The insurance undertakes both protective and promotional assistance to the basic industries. The joint family system, mortality rate as well as birth rate have been declining in the country. Increasing of the old age people, swelling
in the pension market, growing terrorism, rising in the number of accidents and calamities, the spread of disease like ‘AIDS’ growing unemployment, increasing importance of health care facilities etc. have calls for the necessity of life insurance in India. It is found from the analysis that in order to accelerate the process of economic growth, savings and investment functions are essential. The investment can be financed through internal or external savings. Savings rate in the Indian economy is very low, of which household sector savings constitute an important component in the economy. The volume of aggregate savings in India mainly depends upon the government sector, corporate sector and household sector. The household sector accounts for the bulk of savings. Analysis of the work shows that the savings through the life insurance has become increasingly popular, which is the excess of income over its outgo consists of a vast accumulation of wealth. It is inferred that the LIC has motivated the people to save by offering to them numerous schemes under different policies.

iii) It is found from the study that LIC has been mobilizing its resources from its various business activities such as business inforce, new business and this new business is again divided into as rural and urban new business. Besides, the total new business of the LIC is procured from different zones in India. It is found from the facts that business inforce clearly brings out the fact that the growth in policies is slightly lower than the real growth in sum assured.
Hence, administrative reforms committee has criticized the LIC for small coverage of population under life insurance.

iv) The growth of new business in terms of absolute figure as well as mean growth rate was increased during the period under study, but in terms of percentage, growth of new business was actually declined from 4.93 per cent of sum assured under 1 per cent of policies in 1957 to 0.38 per cent of sum assured under 0.09 per cent of policies in 1999. The trend of rural new business shows poor performance in the first two decades and found that the mean growth rate of the rural new business was 15.07 per cent of sum assured under 2.9 per cent of policies in the first two decades (1961 to 1980), but during the same period, urban business was headway which was 18.41 per cent of sum assured under 4.96 per cent of policies. Thereafter, rural business shows an impressive growth performance by an increase of 49.71 per cent of sum assured under 32.05 per cent of policies compared to its corresponding urban business. It was comparatively due to the low income level of villagers, the lack of initiative on the part of the corporations development, failure to spread the message of life insurance in rural areas, unfavourable macro-economic conditions, absence of rural infrastructure facilities and lack of awareness of life insurance among the people etc. are the causes for poor performance in the first two decades in rural areas. The ARC has recommended to the corporation for devising special schemes and
recruiting the local people and training them for the purpose of procuring rural business.

v) As revealed by the business indicators, the number of policies per 1,000 population and per capita sum assured are low in the zones having high concentration of rural population. It is found that the East and Central zones having high concentration of rural population have less policies per thousand population and per capita sum assured as compared to the West, North and South zones. Periodically, the central zone having less policies per 1000 population and low per capita sum assured shows a high average sum assured per policy. It implies that the insurance coverage is confined to a smaller and better-off section of the population. Hence, the developed regions have high life insurance coverage than less developed regions. Besides, with the declining share of rural populations in each zone the total coverage of life insurance has been growing i.e., insurance remains a primarily urban business. It is also found from the analysis that the average sum assured per policy in western-zone is very high as compared to the other zones. But, the north-central zone and south-central zone have covered the area of Uttar Pradesh, Karnataka, and Andra Pradesh with large rural masses and less coverage into the insurance net when compared to the other zones.

vi) According to the insurance Act, 1938, the LIC is required to invest 50 per cent of its funds in government and other approved securities; 15 per cent in
other investments including loans to state government for housing and water supply schemes, municipal corporations etc., and the remaining 35 per cent of its funds in approved investments, including shares and debentures of public and private limited companies, co-operative societies, immovable property etc. It is found that the investment policies of the LIC more or less similar to those of insurance companies in other countries. The life insurance fund was increased from 14.12 per cent in 1987 to 20.74 per cent in 1999, indicating a better progress of life insurance in India, because such funds are important aspects for its investments.

vii) With regard to the distribution of LIC investment, it was found that the mean growth rate of the public sector investment was increased from 12.33 per cent during the first decade (1958 to 1967) to 13.74 per cent during the second decade (1968 to 1977) and further from 14.50 per cent during the third decade (1978 to 1987) to 20.48 per cent during the fourth decade (1988 to 1997). But on the other hand, the mean growth rate of the co-operative sector in decade-wise was declined from 26.22 per cent during the first decade (1963 to 1972) to 14.28 per cent during the second decade (1973 to 1982) and again from 7.59 per cent during the third decade (1983 to 1992) to 4.28 per cent during the next seven year from 1993 to 1999. Similarly, as in the case of public sector, investment in private sector in decade wise was also increased except for 1967 to 1978 from 9.14 per cent during the period
from 1957 to 1966 to 21.27 per cent during the period from 1987 to 1996. Hence, the investment made by the LIC in the public and private sectors is increasing as compared to that of co-operative sector.

The total investment made by the LIC is distributed into the different sub sectors of the economy. The LIC is playing a catalytic promotional role in the public sector by investing its huge funds, by way of capital formation, underwriting of shares, debentures and securities approved by the state and central government undertaking companies or corporations or institutions, and contribution towards the development of infrastructure and of social statutory obligations etc.

The first hypothesis of the present study as indicated earlier, \( H_1: \text{"Investment in Public Sector made by the LIC is more promotional compared to that of the co-operative and private sectors"} \) is established. The study has examined as to how far the LIC’s investment in the public sector is promotional. With reference to the first hypothesis, the following are the findings:

a) The LIC of India has invested its huge fund in as many as 64 avenues in the public sector, including specially the state and central government securities, special deposits with government, port trust debentures, bonds of electricity or power corporations, shares and bonds of both state and all India level statutory corporations, in bonds of HUDCO, shares of SBI and its subsidiaries, investment corporation bonds of different states, loans to
Zilla Parishads for rural piped water supply schemes, loans to housing finance, loans to statutory corporations for setting up industrial estates in different states, loans to public sector undertakings, Bonds of EXIM Banks, NABARD, National Housing Bank. Contribution to the UTI, LICHFL, LIC (International) E.C. and mutual fund and loans to different state road transport development. The investment made by LIC in these avenues has grown tremendously during the period under study. Investment in the bonds of electricity or power generations, HUDCO, investment corporation, loans to Zilla Parishads for rural piped water supply schemes, loans to public sector undertaking etc. have boosted the level of economic development of the country. Hence, investment of LIC in this sector is more promotional compared to that of the other two sectors.

b) With reference to the investment of funds by the LIC, in co-operative and private sectors, it is found that, under these two sectors very few avenues have been covered. The average growth of investment in these two sectors is relatively less, showing a declining trend, even though, such investment is very important for the development of the national economy. But after the declaration of the new economic policy, significance of the co-operative and private sectors have been steadily increasing.

viii) With regard the hypothesis, $H_2$: "The LIC was nationalized and developed to the best advantage of the Society" , the following are the major findings:
a) The LIC of India has made a good progress both in respect of sanctions and disbursement in the post liberalization period as compared to other NBFI’s. The growth rate of assistance sanctioned and that of disbursement were respectively increased from 13.19 per cent to 86.81 per cent and from 11.69 per cent to 88.31 per cent during the period from pre-liberalization to post-liberalization period. On the other hand, the growth rate of UTI sanctions and that of disbursement were respectively increased from 12.06 per cent to 87.94 per cent and from 11.33 per cent to 88.67 per cent during the period from pre-liberalization to post-liberalization period. There is a marginal increase in terms of lending capacity of the UTI. Further, the progress of GIC in terms of sanctions and disbursement is not quite satisfactory as compared to that of LIC.

b) Further, the loans advanced by the LIC to various developmental activities particularly housing, power generation, water supply and sewerage and transport have increased more than two times during the post-liberalization period, when compared to the pre-liberalization period. The growth rate of scheme-wise assistance was also increased considerably during the period under review. Maharashtra and Delhi occupied the top most position both in respect of sanctions and disbursement, as compared to that of Gujarat, Tamil Nadu and West Bengal. As such the rich states like Delhi and Maharashtra have received more assistance compared to Gujarat, Tamil Nadu and West Bengal.
c) Further more, the LIC being the largest public sector investor and as a government owned institution in the country formulated its investment policy with avowed intention of reducing possible imbalances in the economic development of different states in India. It is found that the western zone has occupied the highest position in terms of the investment made by the LIC and increased from 25.06 per cent in 1996 to 37.69 per cent in 1999. In contrast to this, central zone stands as very low investment and declined from 4.91 per cent in 1996 to 3.48 per cent in 1999. Within a zone, there were a wide variations from one mode of investment to another in different states. Moreover, investment of the LIC in terms of stock exchange securities covering mainly in debentures and shares of companies and state government securities, but neglecting the shares of state financial corporation, municipal securities and port trust debentures, debentures of land development banks and bonds of state financial corporations.

In addition, the share of foreign investment made by the LIC in the UK has declined from 55.95 per cent to 41.73 per cent in the total investment of LIC during the period from 1996 to 1999. But the direction of investment has changed to Fiji and increased from 36.76 per cent in 1996 to 42.44 per cent in 1999. Moreover, the LIC investment is concentrated more in government securities, municipal and other securities than in debentures and shares of Joint Stock Companies, loans to housing authority and on mortgage of property.
ix) With regard to the testing of third hypothesis, $H_3$: "The LIC as a monolithic institutional structure contributes to the higher profitability in the organizational structure," an attempt was made to examine the income and expenditure pattern of the LIC, and the following are the main findings of the study:

a) The LIC has derived its income from premium collection, net investment and miscellaneous sources. Though, the income from premium collection continues to be the principal source of income, its share in the total income dropped from 67.47 per cent in 1980 to 61.39 per cent in 2000, when compared to rising share of net investment income, which increased from 31.97 per cent to 35.89 per cent during the period from 1980 to 2000. Similarly, miscellaneous income of the corporation was increased from 0.56 per cent to 2.71 per cent in the total income of the corporation during the period from 1982 to 2000.

b) Further, the total outgo of the LIC includes claims by maturity, claims by death, management expenses and other outgoes. Of the total outgo, payments to policy holders accounted for 25.81 per cent in 1980 and its proportion has varied over the decades and fell down to 23.90 per cent in 1990 and increased to 24.96 per cent in 2000. Maturity benefits is the most important component of policy benefits and its share in total policy benefits has been increasing. The share of death benefits has been declining, which may have a positive impact on reducing premium rates.
c) Furthermore, the total outgo has been declining with oscillation in terms of percentage to the total income, but income over outgo added to the life fund both in absolute figures and in percentage was increased due to the declining rate of death claims, annuities, surrenders, salary, other management expenses and steadily decreasing in the commissions to its employees.

d) In addition, the mean growth rate of the profit of the LIC has increased from 19.05 per cent during pre-liberalization span to 21.51 per cent in the post-liberalization span. Moreover, the ratio of profit to the total income has increased from 54.07 per cent to 59.53 per cent with quite fluctuations during the period from 1980 to 2000. Hence, there appeared the dwindling in the policy payments, overall expenses ratio and renewal expenses ratio of the corporation in the recent years.

x) It is found from the study that the privatization is an economic measure which has now been resorted to by more than 75 countries around the world. But the waves of privatization in India has been generated during the 80's under the regime of prime minister late Sri. Rajiv Gandhi and continued slowly and steadily during the regime of prime minister Narasimha Rao. In view of this, a number of reforms have been introduced in the insurance sector including life insurance in India.

xi) It is also found that the LIC is a single player in the arena of life insurance for the last 46 years from 1956 to the year 2002, when the insurance industry was opened up and private insurance companies entered the field, to
undertake major changes in both qualitative and quantitative aspects of insurance sector. And the LIC has a network of 7 zones 100 divisional offices and more than 2046 branch offices. Its personnel exceeded 7,00,000 with approximately 1,25,000 employees and over 5,50,000 agents. The life insurance funds account for 10 per cent of the gross household savings in financial assets, premium constitutes only 6 per cent of GDS, and only 22 per cent of insurable population has been tapped. So far around 80 per cent of the LIC investments are in the public sector, but a very small proportion of its investments is in private sector. Hence, India has a big potential for life insurance business, since it has an young demographic profile.

xii) It is observed from the comparative business indicators of the LIC with overseas insurance companies and found that the life insurance density (premium per capita) in India is very small and ranked 79 in the world. But developed countries like Switzerland, Japan and USA have bagged first, second and the third respectively in the ranking order. Similarly, India’s life insurance premium as a percentage of GDS (6 per cent) and GDP (2 per cent) ranked 27th, but in South Africa and UK it was over 50 per cent, and 26 per cent in France, 32 per cent in Japan and 25 per cent in USA. Hence, India has a vast scope for mobilizing savings through the insurance sector.

With regard to the emergence of a competitiveness in insurance industry, there is an urgent need to take several active measures to improve the insurance industry, but the entry of private players in the insurance
sector, though it is a welcome step, should be properly regulated and controlled legally so as to protect the interest of large consumers (or customers) in the country.

8.3 SUGGESTIVE RECOMMENDATIONS:

Keeping in view the foregoing analytical frame and major findings of the study, the following measures are suggested for consideration while making efforts to improve the functioning of the LIC of India, viz:

1) Savings linked insurance is an important step emerged as an outstanding avenue of savings mobilization. LIC can make an essential effort to increase the savings by selling different financial products, such as pension plans, various term insurance products, long and short term savings instruments, extending her protective and promotional role in the economy.

2) As compared to the urban business, progress of rural business is not so satisfactory, and seventy per cent of the population in India is residing in rural areas, but life insurance business is concentrated more in urban area. As such LIC in India has failed to cater to the needs of the people in rural area. Therefore, it is suggested that the corporation may implement different innovative schemes for rural area and recruit rural agents for procuring rural business in India. Further, it has to introduce low premium based group insurance and subsidized group insurance schemes/policies for the weaker sections of rural population, which will improve the performance of LIC in respect of its rural business.
3) The LIC should be more oriented towards the consumers (customers) and their needs. Before any new scheme of insurance is introduced, its utility to the community in line with the present requirement should be judged and assured.

4) Investment made by the LIC should be directed towards financing the rural development. A certain percentage of LIC’s investments should be earmarked for rural development every year.

5) The investment of life insurance funds should be made in more profitable areas. This will help to increase the returns on investment, thus providing better benefits to policyholder by way of profits/bonus.

6) Premium rate in India is generally high due to the high expense ratio, since it has not been correctly adjusted to actual mortality experience. Now mortality rates in India have gone down but premium rates have not come down correspondingly. LIC has adopted old mortality table of 1975 so far. But, now it is required to adopt new and updated mortality table, because the life expectancy in India has been rising, on the one hand and competition is increasing on the other hand, due to the opening up of the insurance sector to the private new players.

7) Nearly two-third of India’s population is under the age of 30, but 10 per cent of the population is over 60 years of age. By 2030, the Indian population is expected to stabilize at about 1.1 billion, and about 20 per cent of which will be over 60. But, only 25 per cent of the insurable population has been
extended cover, and market penetration is low. Hence, it is better to bring more people under the umbrella of insurance protection. Thereby, savings through the life insurance will be augmented.

8) Further, LIC has to promote more awareness about insurance among the public. Market structure of the insurance companies has to be planned with proper study, and wider product range to be made available to the masses.

9) In comparison to developed market economies, the technical skills of life insurance business in India are much below the levels. Up-gradation of technical know-how and competencies are very essential for the development of insurance business in the country. This is possible only by closer interaction between the insurance companies all over the world.

10) There is an urgent need for encouraging the researchers pursuing research studies and project programmes on the LIC atleast once in every 3 to 5 years, to assess the level of progress and performance made by the LIC so as to prepare future plans for procuring potential business throughout the country and helping the large mass on the one hand and developing the LIC institution as a whole.