FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

LIC of India has established itself as the major funding agency in the country with a national outlook and social commitment, during the last few decades. The focus of the study was on the developmental activities initiated by LIC of India, which has a competitive edge without losing the social commitment, particularly when dynamism is brought in by the new generation insurance companies from within and outside.

The major purpose of the study is to evaluate the role of LIC and participation in the developmental activities of Kerala and to assess the level of progress attained in the field of stock market operations, industrial growth, social and infrastructure development. Another aspect of the study is to identify the major players in the field and assess the contributions made by them in the life insurance market and the sectoral utilization of various sources of funds, by the public and private sector life insurance companies functioning in India during the period under review.

The study is limited to the state of Kerala. The scope is thus limited to the developmental programmes supported by LIC of India, utilizing the policy
holders’ fund and the sectoral utilization of various funds by Life Insurance Corporation of India. It covers the central and state government undertakings and departments, corporate sector including public and private sector as well as the co-operative undertakings functioning in Kerala.

OBJECTIVES OF THE STUDY:

Major objective of the study were to make an assessment of the contribution of LIC of India in the field of development finance through direct and indirect participation, with particular reference to the state of Kerala. More specifically the objectives of the study were:

1. To verify whether the ratio of investment made by LIC of India varies significantly within the corporate sector and between the corporate and co-operative sector undertakings in Kerala.

2. To ascertain whether any significant variation is observed among different segments of industries so far as the funding pattern followed by LIC in Kerala is concerned.

3. To review the share of LIC in securities market with reference to Kerala.

4. To narrate the pattern of allocating the funds by LIC in Kerala, in social sector investments.

5. To describe the utilisation of different types of funds by public and private sector Life insurance companies in India.
In this chapter an attempt has been made to recapitulate and summarise the findings of the study with a view to providing a basis for the policies that should be formulated for a more fair utilization of LIC funds, particularly for the developmental activities of the country.

7.1. FUNDING PATTERN OF LIC IN KERALA.

LIC has classified the industries, for funding purpose, into major industries, other industries, infra structure based industries, and food based industries and those for the development of social sector. Though there is difference in magnitude, LIC has advanced funds to these industries which are come under public sector, private sector and co-operative sector.

7.1.1. DIRECT AND INDIRECT PARTICIPATION.

7.1.1.1. LIC has exercised direct participation in 57.16 percent of state government securities, 24.74 percent corporate securities and 18.10 percent other securities in Kerala.

7.1.1.2. LIC has made direct participation through stock exchange securities of 76.45 percent in major industries, 13.62 percent in infrastructure industries, 6.51 percent in other industries and 3.42 percent in social sector units in Kerala.

7.1.1.3. Indirect participation of LIC in corporate sector came to 98.55 percent and that in co-operative sector came to 1.45 percent from which 82.18
percent of the advances went to public sector and 16.37 percent to private sector.

7.1.1.4. 73.45 percent of the indirect participation of LIC in public sector in Kerala was in State Government Securities, 11.35 percent in Special Deposit with government, 10.34 percent in Kerala State Electricity Board and another 4.86 percent was in other sectors, on an average.

7.1.2. FUNDING FOR PROJECTS IN CORPORATE SECTOR.

7.1.2.1. Value of investment made by LIC in corporate sector in Kerala came to Rs 601.06 crores of which Rs 456.23 was in major industries, Rs 90.63 crores in Infrastructure Industries, Rs 32.88 crores in Other Industries, Rs 13.99 in Social Sector Units and Rs 2.27 crores in Food based Industries.

7.1.2.2. Major industries accounted for 76.45 percent, Infrastructure, 13.62 percent, Other Industries 6.51 percent, Food based Industry 0.34 percent and Social Sector 2.29 percent of the total investment made by LIC in corporate sector in Kerala.

7.1.2.3. The value of investment made by LIC in corporate sector at the national level was found to be high in infrastructure sector and low in Food based and Social Sector Units. Major industries with a coefficient of variation of 14.27 percent came ahead of others on
account of consistency and it was found to be low in Food based Industries (73.52 percent).

7.1.2.4. The total investment made by LIC in corporate sector came to 98.61 percent at the national level and it came to 98.55 percent in Kerala. Major industry accounted for 76.45 percent of total investment made by LIC in Kerala as against the national figure of 26.78 percent.

7.1.2.5. Average value of investment made in major industries came to Rs 456.23 crores, with extreme mean values of Rs 657.16 crores and Rs 180.77 crores with a coefficient of variation of 36.18 percent. It has shown a consistently growing trend during the period under review except in 2006-’07 and 2007-’08.

7.1.2.6. When the investment in corporate sector in Kerala was indicating a steady trend, public sector recorded a consistently increasing trend whereas in private sector and co-operative sector the trend was found to be declining gradually.

7.1.2.7. Among the major industries in India financed by LIC, electric transmission and distribution industries with an average of Rs 1221.90 crores accounted for a higher position than others (Rs 1221.90 crores) and a lower share was accounted for by electronic equipment industries with Rs 439.56 crores.
7.1.2.8. Among the major industries, electric transmission and distribution and electric equipment manufacturing units came ahead of others at the national level. At the state level it was the plantation and manufacturing industries that stood first (34.76 percent) and electricity transmission and distribution (28.19 percent) came a close second.

7.1.2.9. Trend analysis made it clear that investments made across the period was found fluctuating in electrical transmission and distribution divisions, electric equipment industries and petroleum refining industries, whereas in basic industrial chemical units the situation was found rather consistent.

7.1.2.10. Plantation and manufacturing units within the major industry group in Kerala came ahead of others in terms of value of investment, with an average of Rs 234.85 crores.

7.1.2.11. Plantation and manufacturing industry and electric transmission units recorded a consistently increasing trend in the value of investment over the period under review, except in 2006-'07 and 2007-'08.

7.1.2.12. A higher level of consistency was observed in electrical transmission and distribution units coming under this group (coefficient of variation 14.01 percent).
7.1.2.13. Average value of investment in infrastructure sector in Kerala came to Rs 90.63 crores with extreme mean values of Rs 151.26 and Rs 12.63 crores and a coefficient of variation of 56.29 percent and consistent and upward growing trend was observed in almost all years.

7.1.2.14. Infrastructure sector accounted for 13.62 percent of the total investment made by LIC in corporate sector in Kerala against the corresponding value of 29.54 percent at the national level. Infrastructure sector showed a consistent and upward growing trend almost all years.

7.1.2.15. Among the infrastructure groups, banking companies and telecommunications accounted for the major share in India. In Kerala, Banking companies and hospital units were ahead of others and banking companies with an average investment of Rs 90.27 crores came on the top of this group, accounting for 13.56 percent of the total investment in corporate sector in Kerala.

7.1.2.16. Among the infrastructure sector in India, banking companies, with an average of Rs 2198.17 crores came ahead of telecommunication and hospital division. Investments in hospital division accounted for 0.06 percent of the total investment in corporate sector and had a
better coefficient of variation of 27.77 percent than that of banking companies.

7.1.2.17. When the investment in banking companies was showing a consistent and ascending nature, investment in hospital division showed a descending nature, though minor exceptions were noticed in 2007-'08. Telecommunication division with a coefficient of variation of 42.18 percent accounted for a higher level of consistency and it came ahead of others.

7.1.2.18. Among other industries, engineering and non ferrous based industries were ahead of other industries in India and rubber and rubber based industries were ahead of others in Kerala. In percentage terms the investments made in other industries in Kerala came to 6.51 percent as against the 28.34 percent at the national level.

7.1.2.19. Rubber and rubber based products industries accounted for 4.26 percent of the total investment coming under corporate sector in Kerala. The consistency level was also higher than that of other units. (20.33 percent) Rubber and Rubber based industries with 4.20 percent came ahead of others in other industry group.

7.1.2.20. Among the other industries group in India, engineering industries with an average investment of Rs 1598 crores came ahead of other
Rubber and rubber based industries with an average of Rs22.7 crores accounted for a higher share of investment among the other industries coming under corporate sector in Kerala.

7.1.2.21. The share of other industries and non ferrous based industries was 1.29 percent and 0.96 percent respectively. A higher level of consistency was observed in basic Industrial chemicals with a coefficient of variation of 5.5 percent accounted for a higher level of consistency while it was found to be low in electric equipment industry (92.52 percent).

7.1.2.22. The trend observed in non ferrous based industries, engineering units and rubber and rubber based industries was found fluctuating widely. The quantum of investment in non ferrous based industries was rather small and the trend in the value was found fluctuating across the period and in some years it touched zero level.

7.1.2.23. Paper and paper based industries were found growing in the first four years but later it was found declining. Aluminum based units were found to be consistently growing in terms of value of investments. Fertilizer units have shown steady progress with regard to amount of investments.

7.1.2.24. Among the food based industrial units, tea and coffee units accounted for the highest value of investments with 958.26 crores
as against 638.2 crores in artificial items of food and 95.34 crores in sugar manufacturing units.

7.1.2.25. Tea and coffee based industry has shown spectacular growth in terms of value of investment. The extreme values were Rs 83.04 crores in 1998-‘99 and Rs 3576.12 crores in 2006-‘07.

7.1.2.26. Artificial fibre based units also have shown steady increase, except slight ups and downs in two years. Sugar based units were showing high ups and downs in terms of the value of investment across the period.

7.1.2.27. The amount of investment in food based industry came to Rs 2.27 crores on an average and it accounted for 0.34 percent of the total investments in corporate sector in Kerala.

7.1.2.28. Average value of investment in social sector units came to 400.71 crores with extreme mean values of 639.93 crores and 68.38 crores; with a coefficient of variation of 42.43 percent. The trend observed across the period was found fluctuating over the years.

7.1.2.29. While comparing the investments in corporate sector it was found that when infrastructure sector had accounted for 29.54 percent at the national level, it was 13.63 percent in Kerala. Other industries accounted for 28.34 percent at the national level and major industry accounted for 26.78 percent at national level and in Kerala it came to 76.45 percent.
7.1.2.30. The amount of investment in social sector came to Rs 13.99 crores on an average and it accounted for 2.29 percent of the total investment in corporate sector by LIC in Kerala. The amount of investment in food based industry came to Rs 2.27 crores on an average and it accounted for 0.34 percent of the total investments in corporate sector in Kerala.

7.1.3. SECTOR WISE APPROACH

This section deals with the findings drawn from the data analysis pertaining to public sector, private sector and co-operative sector undertakings financed by LIC.

7.1.3.1. Public sector accounted for 84.63 percent of total investment made by LIC at national level and it came to 82.18 percent in Kerala. Private sector accounted for 13.98 percent of total investment in national level and 16.37 percent in Kerala. Cooperative sector accounted for 1.39 percent of total investment at national level and 1.50 percent in Kerala.

7.1.3.2. When the investment made by LIC in various sectors in Kerala is compared with that of India, public sector accounted for 2.54 percent, private sector 0.38 percent and co-operative sector 0.33 percent of the total investment at the national level.
7.1.3.3. 73.45 percent of LIC’s investment in public sector in Kerala was made in state govt. securities, 11.35 percent in special development with government, and another 10.34 percent in KSEB, 4.86 percent in municipal securities and government guaranteed marketing societies.

7.1.3.4. 54.5 percent of LIC’s investment in private sector was made in equity shares, 33.42 percent in debentures of companies, 9.85 percent as Term Loan and 0.46 percent in Preference Shares.

7.1.3.5. 70.95 percent of LIC’s investment in co-operative sector was in apex co-operative housing finance societies and 27.58 percent in co-operative land development banks.

7.1.3.6. When the investment made in major industry is compared with the total investments the coefficient pertaining to Kerala came to (+) 0.926 as against the national figure of (+) 0.867. For other industries and infra structure sector the coefficient of correlation recorded against the national level were much above the state level figures.

7.1.3.7. On comparing the national level and state level figures relating to infra structure sector, major industries and other industries it have given indications of better relationship as shown by higher ‘t’.
values at one percent significance level. The corresponding results
of Plantation & manufacturing sector were found to be reasonable
at five percent significance level. However, the indicators towards
rubber and rubber based industries and electronic and electrical
distribution were not found statistically significant in this regard.

7.1.3.8 On correlating the value of investment made by LIC in Kerala &
India the coefficient of (+) 0.867 and ‘t’ 0.01 value of 6.427 in public
sector, coefficient of (+) 0.768 and ‘t’ 0.01 value of 12.107 in private
sector and coefficient of (-) 0.39 and ‘t’ 0.01 value of 9.301 in co-
operative sector established a strong degree of relationship
between these variables.

7.1.3.9... This leads to the conclusion that within the corporate sector, public
sector had an upper hand as far as the quantum of investment was
concerned. In terms of absolute value and percentage, the share of
investment made it public, private and co- operative sector was
found to be low when compared to the national figures. However,
when the same was compared to the total investment in terms of
percentage, the position of public sector as well as private sector in
Kerala, was not deviating much from the national level percentage.
7.2. INVESTMENT OF LIC IN SECURITIES MARKET IN KERALA.

This section enumerates the summary of findings corresponding to the second objective of the study namely, LIC’s investment in securities market in Kerala.

7.2.1. The value of investment made by LIC in Stock Exchange Securities in Kerala came to Rs 1504.36 crores on an average as against the national average of Rs 48408.4 crores and the share of Kerala came to 3.31 percent of national total.

7.2.2. State government securities accounted for 57.14 percent of the investment made by LIC in securities market in Kerala, as against the national share of 33.4 percent.

7.2.3. Corporate securities accounted for 24.74 percent of the investment made by LIC in Stock Exchange Securities in Kerala as against the national figure of 56.44 percent.

7.2.4. State government securities and corporate securities together accounted for 81.90 percent of the total investment made by LIC in securities market in Kerala as against the national total of 89.84 percent.
7.2.5. When the state government securities, in terms of value and percentage were ahead of corporate securities in Kerala, a reverse trend was observed at the national level in this regard.

7.2.6. The overall index of growth in the value of investment made by LIC in stock exchange securities recorded an ascending trend with better consistency both in Kerala and India, excepting minor variations in between.

7.2.7. When the State government securities showed a consistently progressing trend, corporate securities showed ups and downs till 2002-'03 and thereafter the growth in value of investment in stock exchange securities have shown an upward trend in Kerala.

7.2.8. When the investment in corporate securities in Kerala has displayed a coefficient of variation of 35.91 percent, it came to 38.51 percent for state government securities and 43.40 percent for social sector investments and much deviation was not observed from the national figures in this regard.

7.2.9. When the total value of investment made by LIC in Stock Exchange Securities at the national level was subjected to an introspection with its sub elements, the correlation coefficients in the order of magnitude were corporate securities 0.978, state government
7.2.10 The total value of investment made by LIC in stock exchange securities in Kerala when compared with that of India, the correlation coefficient of (+) 0.956 and ‘t’ \textsubscript{0.01} value of 7.415 indicated a strong level of association between these variables.

7.2.11 On comparing the percentage of total investments with the sub elements for India and Kerala, with the help of correlation coefficients, corporate securities with a coefficient of (+) 0.937 along with ‘t’ value of 9.561 , state government securities with coefficient of (+) 0.761 and ‘t’ value of 4.591, and social sector investments with coefficient of (+) 0.7537 and ‘t’ value of 5.538 substantiated the existence of a strong degree of relatedness between these variables at one percent significance level.

7.2.12 Land development bank debentures with a correlation coefficient of (+) 0.521 and ‘t’\textsubscript{0.01} value of 2.786 showed close relationship between the variables at five percent significance level and electricity board debentures with a correlation coefficient of (+)
0.032 with ‘t’$_{0.01}$ value of 0.971 failed to establish any substantial relationship between the variables.

7.2.13. While comparing the total investment made by LIC in Stock Exchange Securities with its major constituents, at the national and state level separately, corporate securities displayed a coefficient of (+) 0.978 at the national level and (+) 0.9599 for the state of Kerala. State government securities had it to the tune of (+) 0.835 at the national level and (+) 0.9407 at the state level. Social sector investments had it to the level of (+) 0.733 at the national level as against (+) 0.9131 at the state level.

7.2.14. This substantiates hypothesis number one, namely, sectoral allocation made in terms of value of investment in stock exchange securities in Kerala doesn’t deviate significantly from the national level pattern followed by LIC.

7.2.15. The analysis in general revealed that, corporate securities had a dominating position than that of state government securities at the national level, whereas in Kerala an upper hand was with State Government securities.

7.2.16. This rejects the hypothesis number two, namely, the proportion between the investment in state government securities and
corporate securities doesn’t vary significantly, in terms of quantum of investment in stock exchange securities in Kerala and India.

The analysis thus leads to the conclusion that Investment in securities in Kerala came to 3.31 percent of total stock exchange securities invested by LIC in India and 81.9 percent of the investments made in Securities in Kerala were in State Government Securities and Corporate Securities together, as against the national figure of 89.84 percent. LIC’s investment at the national level and in Kerala was more concentrated in State Government Securities, Corporate Securities and Securities of Social Sector. The results obtained from the trend analysis and evaluations based on statistical inferences substantiate the hypothesis that sectoral allocation made in terms of value of investment made in stock exchange securities in Kerala doesn’t deviate significantly from the national level pattern followed by LIC. The analysis in general revealed that, corporate securities had a dominating position over the state government securities at the national level, whereas in Kerala an upper hand was found to be directed more towards State Government securities than the corporate securities.
7.3. **INVESTMENT IN SOCIAL SECTOR IN KERALA.**

7.3.1. **GENERAL INFORMATION.**

The general information relating to clients of LIC, with particular reference to the social sector investments in Kerala are comprehended here.

7.3.1.1. When 63.57 percent of the clients had not resorted to Parallel Debt Financing, 20.71 percent had experienced the situation; while the rest had it occasionally or had no specific opinion in this regard.

7.3.1.2. Deviations from credit policy parameters indicated a score value of 8.42 against the exposure norms, 4.85 against Tenor norms for exposure and rating and 4.28 against Regulatory Restrictions.

7.3.1.3. Deviations on account of Financial parameters, indicated a score values of 7.86 against the minimum Debt Equity proportion, 5.28 against minimum EBITDA to Interest and 5.14 against the Minimum Current Ratio.

7.3.1.4. Among the follow up and monitoring procedures followed by the clients, incidences of return of unpaid bills having a score of 3.57 were given prior caution. This was followed by Stock and receivable audit having score value of 3.43, exceeding the limit of the working capital and rectifying the audit objections having a score of 3.28 each and timely inspection having a score of 2.57.
7.3.1.5. Towards the reasons for approaching LIC for long term advances, lower interest rate with a score of 6.28 came ahead of others. It was followed by easy enforcement of government guarantee with score of 5.28, longer span of repayment with a score value of 4.71, and chances of lower collaterals with a score value of 4.42, and incidences of subsidy for various schemes with a score value of 4.28.

The major projects financed by LIC for the social sector development includes housing schemes, power supply, irrigation, drinking water supply, road transport and industrial co-operatives. The findings relating to these sub-heads are narrated in this section.

7.3.2. HOUSING SECTOR.

7.3.2.1. Of the total advances made by LIC through various housing finance divisions 45.32 percent was given to HUDCO, 25.52 percent to HDFC, 23.90 percent to LICHF and 5.27 percent to other Housing Development agencies in the country.

7.3.2.2. 71.15 percent of the advances made by LIC through NHB was given to the state governments and 28.85 percent were released through housing projects. On observing the trend in the value of advances it was found increasing all through except in 2002-‘03 and 2004-‘05.
7.3.2.3 The trend of growth was found increasing from 1997-’98 to 2002 – ‘03 and decreasing from 2003-’04 to 2006-’07. However, a slow revival was observed in 2007-’08.

7.3.2.4 When the extent of growth in Housing finance by LIC through HDFC increased by 8 times, in LICHF it came to 2.5 times and in Housing Development Corporations and HUDCO it came to 2 times.

7.3.2.5 When 56.68 percent of the housing finance made by LIC through co-operative sector had gone to apex housing finance societies, other co-operatives units had it to the extent of 37.23 percent. Government guaranteed projects of co-operative sector accounted for 5.64 percent and mortgage loans of co-operative housing societies had a claim of 0.45 percent.

7.3.2.6 The trend observed in the value of funds released by LIC for housing projects through co-operative sector was found decreasing from 1998-’99 to 2002-’03. From 2003-‘04 to 2005–’06 it increased considerably and in 2006-’07 it once again declined but in 2007-’08 it made a substantial revival. The range of growth observed in many of these sectors was as low as 1.1 to 1.3 times across the period under review.
7.3.2.7 79.71 percent of the housing finance made by LIC through co-operative sector was spent for housing schemes, 20.29 percent were spent on development activities relating to the housing projects of state governments in India.

7.3.2.8 When the trend in the value of advances for housing schemes was found increasing, that given for housing development activities was found fluctuating, with high ups and downs, during the period under review.

7.3.2.9 Funds released by LIC, towards housing finance sector in Kerala, were mainly in the form of indirect finance. The average amount of advance came to Rs 153.5 crores with extreme mean values of Rs 184.48 crores and Rs 109.23 crores.

7.3.2.10 NHB, HUDCO, LICHF, HDFC, State Government, other government approved schemes and cooperative sectors were financially supported by LIC to ensure growth and development in housing sector.

7.3.2.11 28.03 percent of the advances were released through other approved schemes, 24.64 percent through co-operative sector, 19.63 percent through state government schemes, 18.25 percent through HUDCO LICHF HDFC and 9.45 percent through NHB. When
NHB showed a higher level of consistency (coefficient of variation of 9.45 percent), other approved schemes of the government indicated a low profile in this regard (coefficient of variation 28.03 percent).

7.3.2.12. The value of housing finance made by LIC was found increasing over the period and the rate of growth was found to be rather steady though minor variations were observed in 2000-'01 and 2006-'07.

7.3.2.13. The total advances made by LIC for housing finance in Kerala, came to 0.72 percent of the national total and on further search on its subdivisions it came to 0.26 percent for NHB, 0.44 percent for HUDCO, LICHF, HDFC and 0.70 percent for state government schemes, 0.84 percent for cooperative sector and 1.94 percent for other approved schemes of the government.

7.3.2.14. The funding made through the approved schemes of the government, HUDCO, LICHF, HDFC etc. showed wide range of variation across the period whereas that made through NHB, cooperative sector and state government schemes had it but at a lower rate.
NHB and other approved schemes by the government showed better level of consistency than other organizations both at the state level and national level.

7.3.3. **POWER SUPPLY.**

7.3.3.1. Amount of fund given by LIC to the electricity boards and power generation corporations in India, came to Rs 3334.97 crores on an average with extreme mean values of Rs1060.93 crores and Rs8471.90 crores. It came to Rs 211.98 crores in Kerala on an average with extreme mean values of Rs312.60 crores and Rs128.70 crores. When the coefficient of variation at the national level came to 91.48 percent, it came to 29.30 percent in Kerala.

7.3.3.2. At the national level the Index values were found increasing except between 2001-'05, while in Kerala it was found fluctuating intermittently. The higher index value of 695 points were observed at the national level while the corresponding index at the state level was 217 points.

7.3.4. **IRRIGATION**

7.3.4.1. Irrigation schemes were generally financed under indirect participation by LIC. Indirect financing made by LIC to the irrigation
projects were in the form of loan to irrigation departments, loan to Zilla Parishad and loan for power generation schemes.

7.3.4.2. The average amount of fund released by LIC in India for the irrigation schemes amounted to Rs 9362.73 crores of which 87.44 percent was given for power distribution, 12.27 percent for loan to Zilla Parishad and 0.79 percent to irrigation departments.

7.3.4.3. When the index values were found increasing consistently in power distribution schemes, loans to Zilla Parishad recorded a continuously growing trend with minor exception in 2006-‘07 and loans given to irrigation departments were found fluctuating wildly.

7.3.4.4. 87.44 percent of the total funds provided by LIC towards irrigation schemes in India were given to power distribution. When it is subdivided, it was observed than 80.80 percent of it went to the projects of electricity boards in different states 15.49 percent to the projects given by electricity boards which are guaranteed by each state government, 1.89 percent to NEEP Corporation and 1.82 percent for power generation in private sector.

7.3.4.5. When the trend observed in the value of funding for projects of electricity boards of different states and that for power generation of private sector was found ascending consistently, loans given to
electricity boards guaranteed by State Governments and that of NEEP Corporation and power Grid Corporation, had a declining and widely varying trend.

7.3.4.6. Total funds given by LIC for irrigation projects in Kerala, came to Rs 62 crores with extreme mean values Rs 121.21 crores and Rs 11.47 crores with a coefficient of variation of 71.63 percent and it accounted for 0.76 percent of the national total. The share of KSEB came to 97.06 percent and that of other power generation projects came to 2.84 percent in this regard.

7.3.4.7. The index values were found fluctuating and in the case of KSEB it was found increasing all over except in 1999-2000, 2006-’07 and 2007-’08. The positions of other projects were also found fluctuating.

7.3.5. DRINKING WATER SUPPLY

7.3.5.1. Drinking water supply schemes in general and urban water supply schemes and urban piped water supply schemes in particular were financed by LIC. The schemes launched and operated by water authority, municipal committees and Zilla Parishads were also financed by LIC and the pattern of funding was in the form of indirect participation.
7.3.5.2 Total amount advanced for drinking water supply scheme came to Rs 2593.05 crores with extreme mean values of Rs 4473.59 crores and Rs 1157.61 crores with a coefficient of variation at 39.09 percent.

7.3.5.3 The value of investment made by LIC in Kerala for drinking water supply scheme came to Rs 213.45 crores with extreme mean values of Rs 360.2 crores and Rs 137.6 crores and the coefficient of variation came to 29.65 percent.

7.3.5.4 44.46 percent of the advances were given to municipal water supply schemes, 29.72 percent to urban water supply schemes, 20.20 percent to the Water Authority and the rest 5.62 percent went to Zilla Parishads for rural piped water schemes.

7.3.5.5 When a higher level of consistency was observed in the funding of Municipal water supply scheme with a coefficient of variation of 11.71 percent and a lower level of consistency was observed in the funding of urban water supply scheme.

7.3.5.6 The index values were found fluctuating wildly across the period under review. The Trend observed in urban water supply and rural water supply schemes was found highly fluctuating while that of
municipal Committee and Water Authority was found increasing year after year.

7.3.5.7 Of the total advances made towards drinking water supply in Kerala, 82.94 percent was given to municipal water supply and the rest was given to rural piped water schemes of Zilla Parishads.

7.3.5.8 The level of consistency as measured by coefficient of variation was found to be more with municipal water supply schemes (31.02 percent) than with rural piped water schemes (65.62 percent).

7.3.5.9 The average amount of investment made by LIC for drinking water supply projects in Kerala came to 8.23 percent of the national total.

7.3.6 ROAD TRANSPORT

7.3.6.1 Total advances made by LIC for the development of Road transport facilities in India came to Rs 597.46 crores with extreme mean values of Rs 825.82 crores and Rs 338.80 crores and a coefficient of variation of 25.48 percent while the development loan representing direct participation accounted for 60.68 percent of the total advances under this head and the share of other loans came to 39.32 percent.
7.3.6.2 Relatively, the level of consistency was found to be high for development loan (Coefficient of correlation of 9.18 percent) as against other loans (coefficient of variation 65.25 percent).

7.3.6.3 The trend observed in the Value of advances made for the development of road transport was found ascending consistently as far as development loan was concerned. For other loans it was found to be increasing at a higher rate up to 2003-’04 and there after it was declining gradually.

7.3.6.4 Total advances made by LIC to KSRTC came to Rs 45.36 crores on an average with extreme mean values of Rs 84.01 and Rs 23.20 crores. When compared to the national figures it came to 7.59 percent on an average.

7.3.7. INDUSTRIAL CO-OPERATIVES.

7.3.7.1 The average amount of advances made to industrial Co-operatives in India by LIC came to Rs 4.61 crores with extreme mean values of Rs 5.16 and Rs 4.21 crores. However, advances under this head was not reported in Kerala.
7.4. **FUND UTILISATION BY LIFE INSURANCE COMPANIES.**

7.4.1. Average Investments made by Life Insurance Companies in India, came to Rs 457801.31 crores and 96.33 percent of it was contributed by the Public Insurance Company (LIC).

7.4.2. Total investment made by the private insurance companies together came to Rs 16771.25 crores, of which 75.45 percent was contributed by ICICI, Birla, Bajaj, HDFC and SBI Life.

7.4.3. Among the private insurance companies ICICI with 32.68 percent, Allianz Bajaj with 12.18 percent and Birla Sun with 10.88 percent were ahead of other private sector life insurance Companies functioning in India.

7.4.4. 93.60 percent of the total investments made were under four different heads of funds created by life insurance companies in India. For LIC it came to 94.85 percent and for private insurance companies it came to 60.60 percent.

7.4.5. The funds utilized by LIC for investment when arranged in the order of importance are Life Fund, Other Funds, Pension and Annuity Fund and Unit Linked Funds.
7.4.6 LIC has utilized 86.41 percent of Life Fund, 10.19 percent of Other Funds and 0.66 percent of Unit Linked Fund for investment purposes.

7.4.7 More than 95 percent of the Life Fund Investment and Pension and Annuity Fund Investment came from LIC and the share of private insurance companies was rather poor.

7.4.8 Regarding Unit Linked Fund Investment private insurance companies had the claim of 63.35 percent and the rest was claimed by LIC.

7.4.9 As regards the total Life Fund Investment in the country, more than 98 percent of it was claimed by LIC and the rest by private life insurance companies in India.

7.4.10 98.41 percent of investment made in Central government securities, 99.27 percent in State Government and Other Approved securities and 98.11 percent in Social Sector and Infra structure was made out of Life Fund from LIC and the rest from the Life Fund of private insurance companies in India.

7.4.11 72.71 percent of the contribution to central govt. securities from Life Fund of private insurance companies was contributed by SBI life, ICICI, Tata AIG, HDFC and Bajaj Allianz.
7.4.12 Max Newyork with 72.03 percent and Birla with 9.07 percent accounted for the major contribution to state government securities from Life Fund of private insurance companies.

7.4.13 ICICI, SBI Life, Max Newyork, HDFC and Allianz Bajaj together accounted for 62.98 percent of the total contribution made to social and infrastructure sector from Life Fund of private insurance companies.

7.4.14 SBI life, HDFC, Allianz Bajaj, Kotak, Mahindra and Max Newyork together accounted for 74.42 percent of the contribution made from life fund of private insurance companies.

7.4.15 Evaluation of Life Fund Investment confirmed the dominance of LIC which occupied about 98 percent coverage relating to the investment in central Government and State government securities, infra structure, social sector and other investments alike.

7.4.16 The evaluation revealed that 95.33 percent of the Other Fund Investment came from LIC and the rest from private sector insurance companies. As regards the Other Fund Investments made by LIC, 49.3 percent of it was made in central government securities, 29.95 percent in State Government and other approved
securities and 20.75 percent in Investments Subject to Exposure Norms.

7.4.17. More than 99 percent of the Pension and Annuity Fund Investment came from LIC and its share of contribution to central government securities, state government securities and Investment Subject to Exposure Norms also were exceeding 99 percent.

7.4.18. As regards Unit Linked Fund Investment, LIC accounted for 36.65 percent of the total and 63.35 percent came from private sector insurance companies. 89.43 percent of the total investments under this head were made in Other Approved Investments and the balance 10.57 percent was made in Other than Approved Investments.

7.4.19. The percentage of investment made in Other Approved Investments came to 62.16 percent and that in Other than Approved Investments came to 73.51 percent respectively.

7.4.20. 96.33 percent of the total investment made in India, by insurance sector came from LIC, and 96.89 percent of the Life Fund Investment, 95.33 percent of investments from Other Funds, 99.9 percent of Pension and Annuity Fund Investments and 36.65 percent of the Unit Linked Fund Investment are from LIC.
7.4.21. When compared to Life Fund the value and volume of Other Funds, Pension and Annuity Fund and Unit Linked Fund were rather insignificant.

7.4.22. Investments in central Government Securities were represented by 98.41 percent of Pension and Annuity Fund of LIC. Investments in State Government Securities and Other Approved Securities were represented by 99.27 percent of Life Fund, 99.90 percent of Other Funds and 99.60 percent of Pension and Annuity Fund.

7.5. RECOMMENDATIONS.

The following recommendations are worth proposing.

7.5.1. Life insurance Corporation of India has a wide network of administrative set up, good brand name, enormous amount of Life Fund and a significantly strong market share both in terms of value of policies floated and investments made. But it is observed that many of the strategies which are followed by the new generation companies are not practiced by LIC. It is proposed to conduct a study in this regard and identify the strategies and practices which are worth emulating.
7.5.2. LIC has a better track record in the insurance market in terms of the value and volume of policies sold. Though there are certain exceptions, most of the policies are assuring enormous amount of Life Fund to the credit of LIC every year. It is proposed to design more and more streams of pumping out money for the economic development of the country, other than waiting for government intervention and legal enforcement in this regard.

7.5.3. New strategies of tie ups do exist among various reputed banks and insurance companies in the matter of designing and marketing new products. Consortium agreements and tie ups can be thought of for designing a variety of advances and investments, to accommodate different clusters.

7.5.4. Many private insurance companies have borrowed marketing strategies and alternative channels of other companies for the sake of marketing the existing as well as newly designed products. Attempts like this can be made towards the advancing side also.

7.5.5. Innovative social sector investments can be thought of as a rapport building mechanism among the less educated and toiling populace, which ultimately would popularise insurance business to
a wider periphery, resulting in better mileage for the new as well as existing insurance business.

7.5.6. Considering the changes evolved from the Panchayati Raj administration, LIC could think of Social Sector investment through State Government on a three tier system (Zilla, Block & Grama Panchyat Levels)

7.5.7. Though the screening procedures adopted by LIC are very scientific and strong, the risk appetite of the corporate sector shall be keenly observed before approving the proposals given by the clients.

7.5.8. Consortium agreements and new collaborative ventures in the field of banking, tourism, medical care, transport and education can be thought of, from a long term investment perspective.

7.5.9. More autonomy could be given to Zonal/Divisional Offices in matters relating to processing, approval, releasing and monitoring of long term loans and advances to corporate world.

7.5.10. More involvement of local bodies shall be ensured in identifying and proposing schemes for rural upliftment. It shall also be ensured that the fund very well reaches the deserving end. It is recommended to frame a monitoring cell at Divisional Level.
7.5.11. To minimize the time and cost involved in processing and approving the applications centralized processing system shall be changed to Zonal/Divisional Offices with more autonomy, by adopting the Hi-Tech options available.

7.5.12. Investments for Village Adoption Programme, Disaster Management, Hi-Tech Educational Institutions, Health Care etc. shall be introduced under the Social Sector Investment, particularly for the poor in the rural area. More investments could be made towards programmes for preventing disasters like Tsunami, Global Warming etc.

7.5.13. Considering the huge requirement of fund in the Defence Sector, LIC could think of making an attempt to make its presence felt in this area which in turn could become people’s money for people’s safety.

7.5.14. LIC is supporting the government schemes, special deposit with governments and government guaranteed schemes in a big way. Why not to think of giving LIC representation in the Planning Boards of State and Central Governments.

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