INVESTMENT PATTERN OF LIFE INSURANCE CORPORATION OF INDIA SINCE 1991

ABSTRACT

THESIS

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RIYAZ MUHAMMAD

Under the Supervision of

PROF. SHARIFUR RAHMAN

DEPARTMENT OF COMMERCe
ALIGARH MUSLIM UNIVERSITY
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Protection from risks, natural or inherent in any human activity and the adversities in life, has always been the necessity of people at all times and in all phases of human civilization. The mechanism evolved to have the needed protection from risks and mishaps developed in the form of present day ‘Insurance.’

Life Insurance provides a safeguard both for living too long or dying too young. The insurer in consideration of a stipulated premium agrees to pay to the insured or his beneficiary a fixed sum of money on the occurrence of death or some other mishap. The mechanism of insurance is based on sharing of risk and proportionate distribution of risk among the same group of people.

In India, insurance came during the British rule. The first insurance company established in 1818 by European was the Oriental Life Insurance Company for insuring life of Britishers in India. The very first life policy on Indian life was, however, issued in 1845. The Indians entered into insurance business in 1871. The Indian Mutual Life Insurance Society was the first, followed by the Oriental Government Life Insurance Company established by the Govt. in 1873. In later years, however, a number of other Indian insurance companies were established. In order to control and regulate the growing insurance business, the Government passed first insurance Act in 1912, followed by another one in 1938. Since the insurance business was in the private hands, the insurance companies indulged in malpractices of embezzlements, abrupt closures, bankruptcy, etc. which resulted in the loss of policyholders money and shattering the confidence of people in
insurance. To stem this rot and also to garner savings for capital formation required to finance the Five Year Development Plans launched by India soon after independence in 1947, the government took the momentous decision to nationalize the insurance business.

The Life Insurance Corporation of India (LIC) came into existence in 1956 as a statutory Corporation and the insurance sector was totally taken over by the Government of India. LIC became a monopolistic public sector organization having a protected market with no entry of private or foreign insurers. The Corporation’s status remained unchanged till the end of the twentieth century. In April 2000, the government of India, under this ongoing process of economic reforms, opened the insurance sector to private participation. This changed the status of LIC and pitted it as an insurer of public sector against the private life insurance companies in the private sector in a competitive market environment.

During the period of 45 years from 1956 to 2000, the LIC functioned as the single institution in India’s insurance sector. Over the period the Corporation’s growth had been tremendous both organizationally and financially.

Organizationally the Corporation has a network of 2048 branches spread all over the country with a deep reach into the rural and remote areas, employs 1.24 lakhs people on regular basis and engages an additional force of 5.59 lakhs agents on commission basis. By establishing its branches in some foreign countries, the Corporation has also attained the status of a multinational Corporation. Product-wise the Corporation ha a wide range of insurance policies, annuity schemes, group insurance, superannuation and pension plans which cater to the