

A Critical Study on the Performance Life Insurance Corporation of India in Post Liberalization Era

Dr. Aditya Narayan

Guest Faculty, Department of Commerce, S. M. College, T. M. B. U. Bhagalpur, Bihar, India

ABSTRACT

Indian life insurance industry has gone through an ocean change. It has encountered new difficulties of extreme rivalry and battle for endurance since the presentation of protection changes since 1999. The changes in the protection area are constant and they ought to be made more straightforward, reasonable and sound in the changing monetary condition. The fate of the changed insurance industry is a major test to numerous partners.

The insurance agencies are embraced multi-faceted exercises. Any assessment of their exhibition needs to consider the whole stream of exercises and capacities performed by them. The current investigation is predominantly founded on auxiliary information. The information is gathered from the records and reports of the IRDA, LIC, RBI & CSO. Despite the fact that the LIC is involving the main position now, it is bit by bit losing its piece of the overall industry with the private guarantors. Along these lines, the LIC ought to investigate better roads and methodologies to prevail upon the difficulties of the private players or possibly to hold its current piece of the pie. It is likewise trusted that the information introduced, the perceptions made and ends showed up at in this investigation will be helpful for between sectoral examination.

Keywords : - Rivalry, Monetary Condition, Insurance Industry, Private Guarantors

I. INTRODUCTION

In the ongoing years India has considered as one among the best performing countries on the planet. India's financial development rate is accomplishing more than 9 percent for a long time. The mechanical part became 10.63 percent in a similar period and is currently 29 percent of GDP and farming is 17 percent of the Indian economy. Since Independence, India is married to communist example of society and blended financial framework. The Government had consented to gradually move towards the LPG condition. Opening up of the budgetary segment is one of the money related changes which the administration was to execute as an indispensable part auxiliary changes

and adjustment cycle of the economy. Despite the fact that the presentation of LPG was gradual, it achieved an ocean change in the monetary structure of the nation. Alongside the financial changes, life coverage business was likewise exposed to changes. Thus an investigation of the effect of protection and banking is a huge wonder. The current investigation delivers to talk about and center upon the effect of extra security business in India.

1.1 THEORITICAL CONCEPT OF INSURANCE

Protection business has a positive connection with financial improvement in an economy. As an economy creates throughout the long term, the

protection business begins making advances into the different divisions of monetary action in the nation. The term 'protection' can be characterized in both money related and legitimate terms. The budgetary definition centers on a plan that redistributes the expense of startling misfortunes. It is the assortment of little premium instalments from all the suspected and disperse it to those enduring genuine misfortunes. The lawful definition centers on the authoritative game plan whereby one gathering consents to repay the loss of other gathering.

1.2 INSURANCE IN LIBERALIZED BUSINESS ENVIRONMENT

In the wake of having seen different components of protection business, it is relevant to take note of the idea of advancement followed by its effect on protection segment in India. The protection division, as a spin-off of the overall monetary approach of the legislature and on the suggestions of the Malhotra Committee, was changed in 2000 permitting the passage of private players to give rivalry to the monopolistic system of the open part insurance agencies. The section of unfamiliar players was additionally permitted dependent upon their value in the settled up capital not surpassing 26 percent. An autonomous administrative authority called the Insurance Regulatory and Development Authority IRDA was set up to permit the passage of private players and set down guidelines for the market lead of the players and to make conditions for extension of the market to help the client.

II. REVIEW OF LITERATURE

So as to discover the holes in research, the writing effectively accessible relating to the issue is to be explored. The writing on extra security industry in India incorporates books, postulations, study reports and articles distributed by academicians and analysts in various periodicals. The survey of this writing gives

a plan to focus on the unexplored region and to make the current investigation more particular from different examinations. The writing accessible is introduced beneath:

Mishra, K.C. and Simita Mishra (2000) in their article on "Protection Industry: Recipe for a Learning Organization" state that like some other industry, protection industry in India experiences one test repeatable a hundred times, that is the limitations of framework.

Balasubramanian, T.S. and Gupta, S.P. (2000) in their book on "Insurance Business Environment" clarify finally the worldwide and Indian pictures of Insurance frameworks. The effect of globalization and furthermore liberalization on Insurance business condition is additionally examined scientifically to have an away from of the difficulties looked by the protection business.

M. Debabrata (2000) in the proposition named "Workers and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India" thinks that the State-possessed. Yet, their beneficial rate is low when contrasted it and the private part endeavors. In the Jalpaiguri Division, the worker relationship with the LIC is plainly examined and a few proposals are additionally given in the postulation.

Wadikar A. Laxaman (2001) in his theory on "Ingenuity in the Insurance Industries", Ph.D. Proposition submitted to the Department of Management, University of Pune, Pune, 2001. However, simultaneously, the reasonableness and monetary defense of that creativity are likewise to be investigated.

B. Wran, S. (2001) in his book on "Client Driven Services Management" infers that the protection business is quickly developing and generally turning

into a client driven and client driven one. He likewise advocates that when the protection items are alluring to the clients, at that point just the protection business prospers in the market and fills its need of benefit acquiring and furthermore pay age.

Srivastava, D.C. and Srivastava, S. (2001) in their book on "Indian Insurance Industry–Transition and Prospects" examine systematically the money related importance of protection industry, its commitment to Indian economy and furthermore the momentary possibilities and difficulties of protection industry because of advancement and the opening up of the part to private players.

III. RESEARCH OBEJECTIVES

- To understand the concept of Insurance
- To analyse the financial performance of LIC
- To assess the development of LIC during the selected study period

IV. RESEARCH METHODOLOGY

The sources of secondary information are Annual Reports of LIC, IRDA, RBI and CSO reports identifying with the issues under examination. Specialists in the field were likewise drawn closer

with the end goal of conversation to comprehend the issue in right point of view. Crafted by academicians regarding the matter has likewise been counselled for the reason examination.

The sort of examination is spellbinding investigation. The information gathered from different sources is examined by utilizing tables, monetary proportions, mean, standard deviation and relapse investigation.

The current investigation covers optional information of LIC of India during the time of the examination. Plus, commission costs and working costs of LIC have likewise been incorporated for the investigation of working productivity.

V. LIMITATION OF THE STUDY

- This study is confined or restricted to Life Insurance Corporation of India as it were.
- It ought to be noticed that the recommendations and end saw here would be according to the information gathered by the scientist.

VI. DATA ANALYSIS

Below is presented various tables which highlights the financial performance of the LIC

Table-6.1 Statistics related to Investment made by LIC

Category	Item	Mean	S.D	C.V	G.R
Sector-wise	Public	5989	3835	64.04	15.7
	Private	1659	1214	73.15	21.4
	Joint	5	6	119.97	-22.4
	Co-operative	24	12	50.60	-4.3
	Total	7676	5009	65.25	16.6
Instrument-wise	Stock Exchange Securities	7291	4965	68.09	17.6
	Loans	394	57	14.53	2.5
	Total	7685	4999	65.04	16.4

Source RBI Annual Reports

Table- 6.2 Statistics related to financial performance of LIC

Category	Item	Mean	S.D	C.V	G.R
Income	Premium for Life Insurance and Annuities/ single	337354	221009	65.51	19.4
	First Year's	230046	97817	42.52	8.2
	Renewal	970655	449626	46.32	11.8
	Net Interest, Dividends and Rents	785693	503404	64.07	14.7
	Other receipts	4651	4134	88.90	2.4
	Total	2328393	1219001	52.35	13.3
Outgo	Claims by death	64571	33084	51.24	12.6
	Claims by survival	442949	262766	59.32	14.6
	Surrenders including Bonus in reduction of premium	248079	214745	86.56	25.9
	Annuities less re-insurance	36058	22297	61.84	14.3
	Transfer of Reserve	18190	26817	147.43	-9.3
	Expenses of management – Commission to Insurance agents	105858	41993	39.67	9.7
	Expenses of management - Other Expenses	117983	66671	56.51	13.2
	Indian Dominion and Foreign taxes	38516	16288	42.29	9.5
	Miscellaneous	11012	5504	49.98	9.7
	Increase to Life Insurance Fund	1245177	625029	50.20	12.3

Source Central Statistical Organization Reports

Table- 6.3 Statistics related to Total Assets to Earned Premium Ratio (figures in Lakhs)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	1882267	2402952	2804697	3526081	4305633	5602620	6790055	8776790	9761379	13668740
Total Premium	3489747	5009446	5574755	6665375	8285480	1058757	1560653	2013514	2217854	26545037
Ratio	5.394	4.797	5.031	5.290	5.197	5.292	4.351	4.359	4.401	5.149

Source: Computed by researcher based on secondary data

Table-6.4 Statistics related to Investment Income to Total Investments Ratio (figures in Lakhs)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment Income	30119	61986	62582	68558	80644	82284	104174	150412	136878	234886
Total Premium	3489747	5009446	5574755	6665375	8285480	10587576	15606532	20135141	22178547	26545037
Ratio	0.009	0.012	0.011	0.010	0.010	0.008	0.007	0.007	0.006	0.009

Source: Computed by researcher based on secondary data

Table -6.5 Statistics related to Current Assets to Current Liabilities (figures in Lakhs)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current Assets	1750549	2128086	2627497	2607212	2552560	3323677	3789070	4832650	5487667	5621823
Current Liabilities	485188	437307	1370990	2199968	2201744	2388894	2494540	2957850	2791066	3250513
Current Ratio	3.61	4.87	1.92	1.19	1.16	1.39	1.52	1.63	1.97	1.73

Source : Computed by researcher based on secondary data

Table- 6.6 Sector-wise Investment of LIC on Total Income

Model	(Total Income) $Y = \alpha + \beta$ (Public/Private/Joint/Co-operative/Sector-wise Total Investment)								
Parameters	α	t (α)	Sig (α)	β	t (β)	Sig (β)	R ²	F	Sig (F)
Public	3.172	20.096	0.000	0.849*	19.876	0.000	0.968	395.055	0.000
Private	4.451	48.557	0.000	0.604*	20.349	0.000	0.970	414.076	0.000
Joint	6.430	129.254	0.000	-0.375*	-4.865	0.000	0.645	23.666	0.000
Co-operative	6.558	18.495	0.000	-0.198	-0.743	0.471	0.041	0.551	0.471
Sector-wise Total Investment	3.263	24.750	0.000	0.803*	23.120	0.000	0.976	534.513	0.000

Source: Based on analysis by researcher

Table-6.7 Instrument-wise Investment of LIC on Total Income

Model	(Total Income) $Y = \alpha + \beta$ (Stock Exchange Securities/Loans)								
Parameters	α	t (α)	Sig (α)	β	t (β)	Sig (β)	R ²	F	Sig (F)
Stock Exchange Securities	3.459	27.625	0.000	0.757	22.773	0.000	0.975	518.601	0.000
Loans	-1.850	-1.094	0.294	3.146	4.820	0.000	0.641	23.231	0.000
Instrument-wise Total Investment	3.233	24.149	0.000	0.810	22.985	0.000	0.976	528.302	0.000

Source: Based on analysis by researcher

VII. FINDINGS

- The number of insurance companies expanded particularly in the private segment is 23 in the year 2011. This is a momentous development of protection business in the nation because of advancement.
- The private area workplaces were just 13 in the year 2001 and they are expanding by 8768 during the ten years time frame.
- Over the most recent 5 years, the quantity of workplaces of private back up plans has nearly multiplied each year. This shows the development because of liberalization as it were.
- Since opening up of Indian protection area for private support, India has detailed increment in both protection infiltration and thickness. The degree of entrance, especially in life coverage, will in general ascent as salary levels increment. India, with its colossal white collar class families, has displayed development potential for the protection business.

- The absolute premium pay of the business has expanded from Rs. 50094.46 cr in 2016-2017 to Rs. 265450.37 in 2017-2018. This shows life insurance industry has accomplished an exceptional development in the superior salary after the section of private safety net providers.
- The size of life insurance market expanded on the quality of development in the economy and corresponding increment in per capita pay. This brought about a great development in all out premium both for LIC to the new guarantors.
- If we watch the monetary exhibition of protection industry, complete Assets to Earned Premium Ratio demonstrates how effectively the association's resources are used to expand the business. This proportion is expanding step by step. It shows a good development in the exhibition of protection business in the nation.
- Investment Income to Earned Premium Ratio expanding step by step during the examination time frame the protection business all in all shows the expanded degree of execution.
- Investment Income to Total Investments Ratio communicates the budgetary strength of a safety net provider and unveils the proficiency in venture choices and the proportion was 0.211 in the year 2009 and it was expanding step by step and in the year 2018 it was 0.268. It demonstrates the expanded exhibition of speculations of the business.
- The current proportion shows the positive sign. The business is consistently in a situation to meet its present commitments.

VIII. CONCLUSION

It is presumed that private part has enlisted greatest development (21.4%) regarding division savvy speculation by LIC however the expansion in complete pay of LIC by private area is 60.4 percent. As opposed to this the co-usable segment diminishes absolute pay of LIC by 19.8 percent while it is

recorded a pitiful negative development of - 4.3 percent. With respect to instrument shrewd speculations of LIC is concerned, however stock trade protections got greatest development (17.6%) and it adds to add up to pay limit is 75.5 percent if put resources into it. Very inverse to it, the development of advances enlisted at 2.5 percent just yet its complete pay expanding limit is high at 314.6 percent if put resources into credits.

All the above accomplishments are no uncertainty praiseworthy except for supported development of the life coverage business it is important to guarantee productive and successful support of the strategy holder. The general business of life insurance has been essentially expanded after privatization yet a tremendous Indian populace lives is being uninsured. As such there is a need to analyze how much the business is serving the requirements of the clients when the offer of approaches and how much inventive items are acquainting with improve the exhibition of extra security industry in India.

IX. REFERENCES

- [1]. Ansari, V. A., & Fola, W. (2014). Financial soundness and performance of life insurance companies in India. *International Journal of Research*, 1(8), 224-254.
- [2]. Bawa, S. K., & Chattha, S. (2013). Financial performance of life insurers in Indian insurance industry. *Pacific Business Review International*, 6(5), 44-52
- [3]. Chandarana Harish Kumar Muljibhai, "Performance Evaluation of Life Insurance Corporation of India", Ph.D. Thesis submitted to the Department of Commerce, Saurashtra University, Rajkot, 2008.
- [4]. Chakraborty, J., & Sengupta, P. P. (2014). Financial soundness in Indian insurance sector: A comparison between two leading life insurers. In *Business and Information Management (ICBIM)*, 2014 2nd International Conference on (pp. 86-90). IEEE. IRDA, (2000). New Legal Structure. *IRDA Journal*, 1(1), 1-8.

- [5]. Nena, S. (2013). Performance Evaluation of Life Insurance Corporation of India. *International Journal*, 1(7), 113-118.
- [6]. Prakruthi & Arabi, U. (2018). Financial Performance of Life Insurance Corporation (LIC) of India-A Study. *Paripex-Indian Journal of Research*, 7(7), 27-28
- [7]. Rao, D. T. (1999). Life insurance business in India: analysis of performance. *Economic and Political Weekly*, 34(31), 2174-2181.

Cite this Article

Dr. Aditya Narayan, "A Critical Study on the Performance Life Insurance Corporation of India in Post Liberalization Era", *International Journal of Scientific Research in Science and Technology (IJSRST)*, Online ISSN : 2395-602X, Print ISSN : 2395-6011, Volume 7 Issue 1, pp. 255-261, January-February 2020.

Journal URL : <http://ijsrst.com/IJSRST20756>