



A Study on The Role of LIC Towards Corporate Social Responsibility

* Ms. Babita Yadav ** Dr. Varsha Rokade

* Faculty of Management, Research Scholar, Dept. of Commerce, R.D.V.V, Jabalpur

** Assistant Professor, Dept. of Humanities, manit, Bhopal

ABSTRACT

Corporate Social Responsibility (CSR) refers to the obligations and duties of business to the society. Now a days there has been growing acceptance of the view that business should be socially responsible to all the stakeholders says shareholders, employees, consumers, government, suppliers and society. CSR, if implemented in true sense, helps in enhancing the quality of stakeholders and the society at large. This paper is the outcome of descriptive study conducted with the purpose to assess the various CSR initiatives undertaken by LIC such as Janashree Bima Yojana, Swarna Jayanti Gram Swarajgar Yojana, Siksha Sahayog Yojana, etc., to uplift the unprivileged section of the society and also made an attempt to study the effect of CSR on life insurance business of LIC and on its various stakeholders. The study reveals that cost incurred by companies on Corporate Social Responsibility activities is a worthwhile investment as it enhances not only goodwill but also contribute to more profit by doing honest efforts and ethical business practices. The present paper is solely depends on secondary sources and scope of study is confined to LIC is the main limitation. From a practical perspective, the study is needed to assess whether the investment in CSR is worthwhile or not. The paper concludes that CSR are now quite an integral part of organizational objectives and becomes an effective tool by which a company can differentiate itself from their competitors and holds strong position in the market.

Keywords : Corporate Social Responsibility, Company Goodwill, Life Insurance iness, LIC, Profit, Stakeholders, Society.

1.1 INTRODUCTION:

LIC as a responsible Corporate Citizen has been fulfilling its social responsibilities from time to time. In fact, most of the LIC investments are geared towards industrial growth, infrastructure growth and national development. The paper consists of four sections besides introduction viz. review of literature; research methodology, impact of CSR, Issues and Challenges in CSR implementation and finally conclusion of the study. The introduction part has discusses about a brief company profile of LIC which has been given as below:

Company Profile of LIC

The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business.

Objectives of LIC:

1. Spread life insurance widely and in particular to the rural areas and to the socially and economically backward classes.
2. Promote all agents and employees of the corporation a sense of participation, pride and job towards achievement of corporate objective.

NEED OF THE STUDY

In today's cut throat market competition the evolving concept of Corporate Social Responsibility is gaining wide acceptance and popularity all across the globe. CSR is recognized as an effective tool to maintain balance between both business and society.

LIC with long back history of more than five decades has played a very prominent role in the society. Various CSR initiatives undertaken by LIC has benefited a large population of India in ways of education, health, medical, housing development, upliftment of poor through insurance schemes. Further, this study would help in understanding the benefits and present situation of various CSR projects of LIC. The study will provide innovative ideas in designing new strategies, policies and roadmaps which can effectively help in achieving the main objectives of an organization through appropriate CSR schemes.

1.2 LITERATURE REVIEW

Rajesh C Jampala and Bh Venkateswara Rao (2005) examined the role of LIC in Corporate Social Responsibility. The study found that CSR, if implemented in true sense will enhance the quality of stakeholders and the society at large. Folake Olowokudejo and S.A. Aduloju (2011) in the research paper titled on "Corporate Social Responsibility and Organization effectiveness of insurance companies in Nigeria found that there is a positive impact of CSR on organization effectiveness. The study concludes that company's involved in CSR related activities can help insurance companies to succeed, increase their profitability and improve performance.

Kaur Maneer and Agarwal Sudhir (2011) investigate the efficacy of Corporate Social Responsibility initiatives creating positive brand image in the minds of the consumers. The secondary based paper reveals that Corporate Social Responsibility initiatives can be

1.3 RESEARCH METHODOLOGY

Objectives of the Study:

1. The objective of this paper is to examine the nature and extent of corporate social responsibility (CSR) initiatives under taken by LIC and to study its relevance in business.
2. To study the overall impact of CSR schemes on life insurance business and society.
3. To study various Issues and Challenges involved in the implementation of CSR.

The present descriptive based study relied mainly on secondary data sources. The data has been collected from various authentic sources such as LIC annual reports, IRDA Journals, websites, Insurance magazines etc.

1.4 VARIOUS CSR SCHEMES OF LIC

LIC offers life insurance under Group policies to various groups such as employer, employees, professionals and weaker sections of society. The main features of Group Insurance Schemes are low premium and simple insurability conditions. Some of the group insurance schemes are Group term insurance schemes, Group gratuity scheme, Integrated Rural schemes. LIC also offers insurance coverage to people below poverty line under social security group schemes. A brief detail of these schemes are mentioned as below:

1. JANASHREE BIMA YOJANA - The objective of the scheme is to provide life insurance protection to the rural and urban poor persons below poverty line and marginally above the poverty line. Through JBY 5190 schemes covering 91.02 lakh new lives were finalized under 45 approved occupations during the year 2009-10.

2. AAM ADMI BIMA YOJANA - In a rural landless household, when everyday living is a struggle, it is difficult to face life with a smile. Total 36227 death claims amounting Rs. 2394452 crore paid to family of rural landless is covered under the scheme as on 31.03.2010.

3. SHIKSHA SAHAYOG YOJANA - This is a scholarship scheme launched on 31.12.2001 for the benefit of children of members of Janashree Bima Yojana. Scholarship of Rs 300/- per quarter per child will be paid for maximum period of 4 years. The benefit is restricted to two children per member (family) only. Scholarship of Rs. 88.90 crore was disbursed to 9, 12,281 students as a free add on benefit to the children of the members of JBY under SSY during the year 2009-10. Scholarship of Rs. 4.15 crore was disbursed to 83,569 students as a free add on benefit to the children of the members of AABY under SSY during the year 2009-10.

2.40 Crore of lives were given insurance cover under various social security schemes in the year 2009-10.

4. INVESTMENTS: The LIC has been investing its fund in different sectors of economy. The forms of Investments include investment in government securities, shares and debentures of companies, Corporations etc. The total investment in these sectors during 2009-10 was Rs. 20,808.74 crore. The investment by way of central, state and government securities, loans, debentures and equity investments to Rs. 6, 49, 808 crore. In addition, LIC huge amount of money goes to social /community development in different parts of the country such as to Prime Ministers' National Relief Fund, Chief Ministers' Relief Funds of various states as also Rajiv Gandhi Foundation to help relief measures in case of calamities such as Earthquake, Tsunami etc.

5. LOANS TO SOCIAL & ECONOMIC PROGRAMMES: The LIC has been providing loan funds to various social and economic development programmes in the country such as loan to development of housing sector, power sector and other developmental projects.

6. INSURANCE BUSINESS IN VILLAGES: The LIC pays more attention to spread business in rural and village areas. The New Business from rural areas amounts to Sum Assured of Rs. 78, 895.11 crore under 1.02, 49, 643 policies representing 26.39% and 18.43% share of policies and Sum Assured respectively completed during the financial year 2009-10.

LIC Golden Jubilee Foundation: With a view to channelize social responsibilities, LIC formed a Public Trust named 'LIC Golden Jubilee Foundation'. The main objectives of the Golden Jubilee Foundation are:

1. Relief of poverty or distress.
2. Advancement of Education
3. Medical Relief
4. The advancement of any other object of general public utility.

As on 31st March 2010, LIC has provided a corpus of Rs. 80 crore to this foundation for funding various projects for charitable purposes.

7. MICROINSURANCE: This scheme is the protection of low-income people and may cover various risks such as life, health, disability, property and crop insurance. Micro insurance is recognized as a useful tool in economic development. During the year 2009-10, total number of policies covered under micro insurance was 19.85 lakh amounting first premium income of Rs. 36.15 crore.

1.5 CSR SCHEMES & ITS IMPACT ON STAKEHOLDERS

1. SOCIETY: LIC invests a huge sum of money of its profit on the various social schemes like education, health, medical, old-age pension benefit, group insurance for people below poverty line etc.

2. CONSUMERS: The customer has a choice from a variety of products and gets an appropriate product which gives them greater insurance coverage at affordable prices. CSR enhance the practice of doing business ethically and thus there would be lesser chances of policy mis-selling.

3. GOVERNMENT: Tax is the main source of government income. LIC pays a large amount of money to government in the form of taxes. The tax collected by the Govt. is used in different society and developmental projects of the economy.

4. LIFE INSURANCE BUSINESS: The performance of LIC has been increased manifolds after the implementation of various CSR programmes. The LIC New Policies Business crossed to 38863782 lakhs and total premium income reached to Rs. 186077.31 crore during the financial year 2009-10.

1.6 ISSUES & CHALLENGES INVOLVED IN IMPLEMENTATION OF CSR

Today Corporate Social Responsibility becomes an opportunity for the business. Some of the drivers pushing business towards CSR include:

The Shrinking Role of Government

Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers.

Growing Investor Pressure

Investors are changing the way they assess companies' performance and are making decisions based on criteria that include social and ethical concerns.

Main Challenges in Implementation of CSR Schemes are listed below:

Lack of Community Participation in CSR Activities: There is a lack of interest of the local community in participating and contributing to CSR activities of company.

Issues of Transparency: There exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds.

Non-availability of Clear CSR Guidelines: There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies.

Deviation from Main Objective: The growth and survival of any business depends on its profit or earned revenue. Fulfillment

of social obligations involves large sums of money which will adversely affect the financial position of the concern.

Lack of Social Skill: A businessman may not have the required skill to solve complex social problems.

1.7 CONCLUSION

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. LIC is one of the oldest and leading life insurance company in India has been contributed impressively high in various socio-economic development projects through appropriate CSR schemes. Presently, many group insurance and social security schemes such as Janashree Bima Yojana, Aam Aadmi Bima Yojana, Shiksha Sahayog Yojana and many more CSR projects has been undertaken by LIC for the welfare of poor and

spreading insurance to under penetrated rural population who cannot afford to pay premium. In addition, the corporation provide loans and invests huge amount of its fund in different sectors like power, agriculture, housing, water supply, Central and State securities etc. With the implementation of new schemes and CSR initiatives, the performance of LIC has been improved noticeably high in rural areas where private players are yet not reached. CSR activities have their advantages. The benefits are in terms of building a positive image, encouraging social involvement of employees, which in turn develops a sense of loyalty for the organization. CSR activities help bond employees as a team with the organization, which in turn helps in creating a dedicated workforce. Therefore we can conclude that Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce as well as of the local community and society at large.

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