



ORIGINAL RESEARCH PAPER

Economics

FINANCIAL PERFORMANCE OF LIFE INSURANCE CORPORATION (LIC) OF INDIA- A STUDY

KEY WORDS: Life Insurance, Financial Performance, Operating Performance, Source Of Income, Expenditure.

Prakruthi

Research Scholar Department of Studies and Research in Economics Mangalore University, Mangalore.

Prof. Arabi.U

Professor Department of Studies and Research in Economics Mangalore University, Mangalore.

ABSTRACT

Life insurance is an important form of social security. Insurance sector in India have grown tremendously in the last decade and is taking a giant shape after privatization of insurance industry. The government of India has notified the foreign direct investment in insurance to the extent of 49% on 21st February 2015. This may result in increased competition for LIC with other private and foreign players in the industry. The study have been undertaken to know the financial and operating performance of LIC with a rationale of knowing the source of income and other expenses of LIC. The period of study will be for 9 years from 2005-06 to 2013-14.

INTRODUCTION

The LIC was established in the year 1956 by an Act of Parliament, "Life Insurance of India Act". The Act nationalized 245 insurance companies and provident societies to create Life Insurance Corporation of India. The insurance industry has gone a drastic change after liberalization, privatization and globalization of Indian economy in the year 1991-92. The LIC was the sole player in the life insurance industry for the last four decades. The entry of private parties and allowing the FDI in insurance industry is going to affect the performance of LIC of India in the near future. It becomes necessary at this point of time to appraise the financial and operating performance of LIC of India which is supposed to compete with the other counter parts of other countries that have vast experience in the field and can boost enormous investments in the industry in the coming period.

Objectives for the Study

1. To evaluate the growth of LIC during the period of the study
2. To evaluate the operating efficiency of LIC
3. To measure the performance of LIC

Research Methodology

The present study has been conducted using secondary data of LIC

of India. The required information and data have been collected from annual reports of LIC. The data for a period of 9 years from 2005-06 to 2013-14 was collected from annual reports of LIC available in the website www.licindia.in. The other required information has been gathered from various academic journals, literatures of LIC.

Scope of the Study

Life insurance is significantly important for human life today. The present study tries to give a perfect knowledge about the insurance sector managed by government. The study has been made using secondary data for a period of 9 years collected from the annual reports of LIC of India. The commission expenses and operating expenses have also been used for analyzing the operating efficiency of the LIC.

Limitations of the Study

The study has considered only LIC of India to evaluate and measure the performance. There are so many other life insurance companies functioning in India that can also be considered by the researchers in future. Because of the time constraint, only LIC has been considered in this study. The suggestions and interpretation of data is based on the data collected through the websites and

Table 1: Components of Expenses

Years	Total Claims	%	Commission	%	Operating Expenses	%	Shareholders Investments	%	Policy holders Investments	%
2005-06	2992136.56	100	684648.01	100	489232	100	16640.43	100	45278642	100
2006-07	3691661.56	123	729694.38	107	528175	108	27945.18	168	51111283	113
2007-08	3852982.79	129	715093.24	104	518311	106	29319.63	176	60539701	134
2008-09	4216774.03	141	862108.36	126	701378	143	31950.4	192	63896170	141
2009-10	5412910.66	181	1054737.9	154	932961	191	35376.27	213	83304127	184
2010-11	5755791	192	1330871	194	1737741	355	41726.63	251	97016710	214
2011-12	7191233	240	1403562	205	1533874	314	45276.07	272	107018081	236
2012-13	7394802	247	1476801	216	1736295	355	47810.55	287	118777524	262
2013-14	9140211	305	1668133	244	2018531	413	49216.9	296	138987239	307

annual reports of LIC. The above table shows the performance of claims paid. The base year consider for this study is 2005-06. The highest percentage of claims was in the year 2011-12 and the lowest percentage was in the year 2012-13. It depicts year on year the claims is continuously increasing. The other components like commission paid. Operating expenses, investments in other assets and policy holders investment showing increasing trend. As per the above table the important point to be noted is regarding the operating expenses of LIC. The increase in operating expenses of LIC is much higher than compared to other components.

SUGGESTIONS

1. LIC should try to introduce new plans and insurance products to the prospective insurers in order to increase the revenue through collecting premium.
2. As there are many private insurance companies functioning in the country there is increased competition in the insurance

industry. To retain the position of industry leader, LIC has to introduce innovative plans to attract customers

3. There is a need to issue more and more policies for LIC to retain the market share in this competitive scenario
4. LIC has to make a secured investment so as to maintain the interest of the policy holders
5. A comparison between the different insurance companies may help in reducing the cost for the company

CONCLUSION

LIC is successfully creating value to its policyholders. During the study period there was no major change in the performance of the LIC. It can be said that the performance is consistent and maintained good market value for its products. As many private insurance companies are establishing its business, competition is certainly set to increase and LIC has to make efforts to retain its top position. Apart from this, LIC need to control the investment level.

The above discussion shows that the investment (Policy holders) has second highest variance, so investment (policyholders) needs to be controlled. Research has evaluated the various components of expenses with scientific methodology to justify the performance; so to conclude, LIC is doing good, managing the products, and related marketing strategies effectively. But as per analyzed data we can say that LIC need to control the Operating Expenses by not affecting its income.

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