

An Analytical Study on the Growth of Life Insurance Corporation of India in Pre and Post Liberalization Era

Dr. Aditya Narayan

Guest Faculty, Department of Commerce, S.M. College Bhagalpur, T.M. Bhagalpur University, Bhagalpur

ARTICLE DETAILS

Article History

Published Online: 15 April 2019

Keywords

Life insurance, Economy,
Development, Potential, Pre
Liberalization

ABSTRACT

Life insurance has today become a backbone of any market economy since it offers a lot of degree for earning enormous totals of cash for extensive stretches of time. India is a colossal nation with large undiscovered potential with extraordinary reference to semi-urban or country territories. Expanding request, upgrading protection mindfulness, rising pay, expanding sizes of populace and improving foundation makes loads of chances in life coverage part in up and coming India. This could be demonstrated by looking the bits of knowledge of past decades. With the light of this, present examination is directed.

The examination paper endeavours to feature the development of LIC of India in the pre and post liberalization time. The secondary information accessible in different records of the LIC of India, IRDA has been utilized for the examination work. Further, an endeavour has been made to inspect and think about the development of LIC in pre and post liberalization period. For the equivalent, time-span has been taken from the years 1988 to 2018 which is additionally separated into two sections named as: pre liberalization era (i.e. 1988-89 to 1999-00) and post advancement time (for example 2006-07 to 2017-18). The current paper utilized the factual strategies for making the exploratory and relative examination. Despite the fact that privatization of the protection segment is dreaded to influence the possibilities of the LIC, the investigation shows that the LIC keeps on ruling the segment.

1. Introduction

The requirement for protection is as old as business and exchanging the cultivated world. Danger is intrinsic to life, business, exchanging and so forth. The protection will give wellbeing to it. Protection part has been assuming a main job in the monetary arrangement of India. It has likewise been encouraging a goal to fabricate a proficient, viable and a stable monetary condition in India. It likewise obliges the necessities of the both genuine economy and financial goal of the nation. It is making advances into the insides of the economy and is being considered as one of the quick creating territories in the Indian monetary division. It has been assembling long haul sparing through life insurance to help financial development and furthermore encouraging monetary turn of events.

1.1 Concept of life insurance

Extra security is an expert help which is portrayed by high inclusion of the buyers, because of the significance of fitting explicit need, the inconstancy of the items accessible, the unpredictability engaged with the arrangements and measures and at last the need to include the customer in each part of the exchange. Life coverage all the more affectionately known as Life Assurance has, as of late stopped to be just an 'Insurance' or 'Heritage' for the family and has transformed into a significant speculation outlet. India's financial improvement made it a most rewarding Insurance market on the planet.

1.2 Development of life insurance industry

At the hour of opening of the protection area in India there was no relentless rivalry in the market. Till 2000, there was just a single insurance companies working in India for example Life coverage Corporation (LIC) in the open area. Indian government permitted privatization in protection industry in 1999 setting up Insurance Regulatory Development Authority (IRDA) to direct and create protection industry. IRDA gave

licenses and has opened life insurance market to privately owned businesses. Thus, protection segment in India has developed at a quick rate after liberalization in 1999 and private players have been permitted to enter in life coverage market in India. The Indian Life protection industry extended enormously from 2000 onwards as far as premium pay, new business strategies, number of workplaces, specialists, items, riders and so on.

In the pre-change time, Life Insurance Corporation of India ruled the Indian Life Insurance market. Be that as it may, the circumstance radically changed since the start of the year 2000. With the advancement of the IRDA Act in 1999, private players began going into the life insurance market. As per IRDA, toward the finish of the FY 2016-17, there were 24 insurance companies working in India.

The previous is the sole open area life insurance player though the last is a prevailing private division extra security major part in India at present. Accordingly, numerous private guarantors likewise appeared. At this point, an endeavour has been made to contemplate the development of LIC in pre and post advancement period.

Protection industry in India is travelling through a period of high development which is driven by players who attempts to change the elements of market through modernization and improvement. Directly there are 23 private life back up plans and 1 open life safety net providers working in India. As per McKinsey study 2007, it was assessed that India is probably going to rise as the fifth biggest market on the planet by 2025.

2. Review of Literature

Ansari & Fola (2014) analyzed the budgetary sufficiency and execution of life insurance organizations in India during 2008-09 to 2012-13. This examination doesn't discover enough proof for distinction between the ROA and the New Business Premiums in private and govt. owned insurance companies.

Reddy (2015) was examined speculation example of Life Insurance Industry during post change period. The investigation presumed that the venture of life safety net providers rose in both totally and generally terms regarding focal government protections, speculation subject to introduction standards, foundation and social segment.

Prakruthi & Arabi (2018) analyzed money related execution of LIC of India during 2005-06 to 2013-14. The examination reasoned that LIC is doing acceptable, dealing with the items, and related promoting techniques adequately. The information investigation uncovered that LIC need to control the Operating Expenses by not influencing its pay.

Kartheeswari & Rajeswari (2018) broke down large scale economy blossoms the insurance companies in India during 2006-07 to 2011-12. High development of GDP initiates a financial impact through higher per-capita and discretionary cash flow and investment funds, which thus make an ideal market interest for life coverage.

S. Dorfman (2002) in his book on "Prologue to Risk Management and Insurance" surveys the notable highlights of the protection business and furthermore the pretended by the private endeavour. The various kinds of protection delegates are likewise examined finally with reasonable outlines consolidated any place important.

Charles P Jones (2002) in his book on "Speculation Analysis and Management" clarifies obviously about the system for assessing portfolio execution through return and danger contemplations. The Risk-Adjusted proportions of execution and furthermore the issues related with Portfolio Measurement are likewise examined.

3. Research Objectives

The objectives of the present study are:

- To analyze the growth of LIC in the pre and post liberalization era in the context of new policies issued.
- To analyze the growth of LIC in the pre and post liberalization era in the context of premium received.
- To analyze the growth of LIC in the pre and post liberalization era in the context of penetration

4.0 RESEARCH METHODOLOGY

The current examination is exact ordinarily and dependent on essential information and optional information. The essential information has been gathered from 75 respondents. All the information utilized in present examination has been gathered from various sources as: IRDA Annual Reports, LIC Annual Reports, IRDA Journals. The complete timeframe for the current examination has been taken from the monetary years 1988-89 to 2017-18. To analyze the development of life insurance division in pre and post advancement in India, the timeframe has been separated into pre-liberalization (for example 1988-89 to 1999-2000) period and post-advancement (for example 2006-2007 to 2017-2018) period. The current examination has put forth the best attempts during audit of writing to discover the suitable intermediary markers to accomplish the goals of the investigation.

4. Data Analysis

The following section has discussed exploratory and comparative analysis in detail.

Table 5.1: Comparative figures of new policies issued

Pre Liberalization			Post Liberalization		
Years	Amount	Growth (%)	Years	Amount	Growth (%)
1988-89	0.62	29.25	2006-07	2.00	16.3
1989-90	0.76	23.19	2007-08	2.27	13.34
1990-91	0.88	16.04	2008-09	2.54	11.77
1991-92	0.94	6.82	2009-10	2.86	12.83
1992-93	1.00	6.12	2010-11	2.62	-8.44
1993-94	1.08	7.65	2011-12	3.55	35.29
1994-95	1.09	1.42	2012-13	4.62	30.14
1995-96	1.11	1.36	2013-14	5.09	10.23
1996-97	1.25	12.98	2014-15	5.09	0.1
1997-98	1.34	7.29	2015-16	5.32	4.52
1998-99	1.50	11.73	2016-17	4.82	-9.53
1999-00	1.72	15.03	2017-18	4.42	-8.22
CAGR (%)	9.79		7.46		
Mean	1.1		3.8		
Maximum	1.7		5.3		
Minimum	0.6		2.0		
SD	0.3		1.3		
K-S test	0.18		Accepted		
S-W Test	0.874				
Paired t-Value	8.931**		Not Accepted		

Source: Analysis by researcher based on reports from LIC and IRDA

Table 5.2: Comparative figures of Growth in Terms Total Life Insurance Premium received

Pre Liberalization			Post Liberalization		
Years	Amount	Growth (%)	Years	Amount	Growth (%)
1988-89	3432.7	28.48	2006-07	34898.5	27.08
1989-90	4489.4	30.78	2007-08	50094.5	43.54
1990-91	5600.8	24.76	2008-09	55747.6	11.28
1991-92	6959.9	24.27	2009-10	66653.8	19.56
1992-93	7987.2	14.76	2010-11	82854.8	24.31
1993-94	9735.3	21.89	2011-12	105876	27.78
1994-95	11527.8	18.41	2012-13	156065	47.4
1995-96	14181.8	23.02	2013-14	201351	29.02
1996-97	16351.4	15.3	2014-15	221786	10.15
1997-98	19252.1	17.74	2015-16	265450	19.69
1998-99	22805.8	18.46	2016-17	291605	9.85
1999-00	27461.7	20.42	2017-18	287072	-1.55
CAGR (%)	20.81		21.12		
Mean	12482		151620		
Maximum	27500		292000		
Minimum	3432.7		34900		
SD	7669		97923.9		
K-S Test	0.183		Accepted		
S-W Test	0.883				
Paired t-Value	5.327**		Not Accepted		

Source: Analysis by researcher based on reports from LIC and IRDA

Table 5.3: Comparative figures of Life Insurance Penetration

Years	Mean	Maximum	Minimum	SD	K-S Value	S-W Value	Paired t-Value	Hypothesis
1988-89 to 1999-2000 (Pre Liberalization)	1.27	1.90	0.88	0.26	0.212	0.909	8.322**	Not Accepted
2006-07 to 2017-18 (Post Liberalization)	3.19	4.60	1.77	0.99				

Source: Analysis by researcher based on reports from LIC and IRDA

Table 5.4: Comparative figures of Life Insurance Density

Years	Mean	Maximum	Minimum	SD	K-S Value	S-W Value	Paired t-Value	Hypothesis
1988-89 to 1999-2000 (Pre Liberalization)	4.28	6.20	2.90	1.17	0.215	0.879	5.057**	Not Accepted
2006-07 to 2017-18 (Post Liberalization)	28.54	55.70	7.60	17.74				

Source: Analysis by researcher based on reports from LIC and IRDA

Table 5.5: Statistics related to dominant Factors while purchasing Insurance Policy

FACTORS	LIC	
	Mean Score	Rank
Tax Saving	5.0	4
Good Return	5.6	3
Security	8.4	1
Risk Coverage	6.0	2

Source: Primary data

Table -5.6: Statistics related to Customer Satisfaction level

FACTORS	LIC
	Mean Score
Rider facility	3.16
Switching facility	2.96
Top up facility	2.92
Bonus	2
Loan facility	2.04
Surrender facility	2
Customer complaint	2.4
Total	2.49

Source: Primary data

5. Findings

- The rate development pace of policy holders net provider in pre liberalization has expressed a declining pattern from the years 1988-89 to 1995-96 with the exception of the money related year 1993-94 where the development rate is 7.65 percent. On the off chance that the budgetary years 1995-96 and 1996-97 are looked at, a colossal increment is found.
- The development rate is found varied for the years 1996-97 to 1999-2000, however it has indicated slanting conduct. In post advancement, nearly declining development rate has appeared from the years 2000-01 to 2003-04. Be that as it may, in the year 2004-05, negative development rate (for example - 8.44 percent) has been accounted for by the existence safety net providers. From that point forward, an unexpected and enormous increment in development rate has been accounted for from - 8.44 percent (in the monetary year 2004-05) to 35.29 percent (in the budgetary year 2005-06).
- The development rate for the absolute life insurance premium has revealed changed pattern over a time of monetary years 1988-89 to 1999-2000. In any case, if the years 1988-89 and 1999-2000 are thought about, this pattern is to be considered declining as the GR esteem is 28.48 percent in the year 1988-89. This might be because of expanded rivalry among insurance companies.
- A similar investigation is never really out the importance effect of advancement on life coverage part in India. Thus, invalid theory has not been acknowledged that the life coverage entrance in pre liberalization period isn't essentially unique in relation to post advancement period.
- The mean an incentive in present advancement as thought about on pre liberalization is higher (it has expanded from 4.28 US\$ to 28.54 US\$). Critically, in post progression instability has additionally expanded when contrasted with pre advancement
- LIC had 5 Zonal workplaces, 33 divisional workplaces and 212 branch workplaces, aside from its corporate office in the year 1956.
- LIC occurred inside a couple of years and numerous new branch workplaces were opened. From around 200 cr of New Business in 1957 the partnership crossed 1000 cr just in the year 1969-70, and it took an additional 10 years for LIC to cross 2000 cr benchmark of new business.
- LIC keeps on being the prevailing life safety net provider even in the changed situation of Indian protection and is moving quick on a solid development pace of 16.67 percent direction. LIC has given more than 1 cr approaches during the current year.

6. Conclusion

The Life Insurance Corporation of India is the head life safety net provider and one of the steadiest budgetary organizations in the nation. During the fifty years of its reality, it has figured out how to develop in to a monster. The Indian protection part was opened for private parts in 1999. The principal private insurance agency began tasks without further ado by shutting the 44 years of open part restraining infrastructure.

From that point forward, a lot more privately owned businesses have been enlisted, which are all joint endeavours between significant business houses or banks in India. Presently protection area in India is a difficult one. There is a

solid rivalry among the distinctive protection players. LIC is doing great job, dealing with the items, and related showcasing procedures adequately. Yet, according to examined information we can say that LIC need to control the Operating Expenses, to

not influence its pay. LIC is pioneer organization in Indian economy; so after IRDA and privatization of protection segment, the method of accomplishing the successful outcome isn't smooth assignment, yet LIC needs to work.

References

1. Anand, M. (2002). Indian Insurance Industry. Channelizing growth, Chartered Financial Analyst.
2. Mohanasundari, M. & Balanagagurunathan, S. (2011). The Phases and Changes of Insurance Industry in Indian Economy. *European Journal of Social Science*, 24(4), 553-564.
3. Prasad, K. L. N. (2008). *Indian Insurance Industry: Post-Liberalization Landscape*. ASCI Lecture Series, K. L. N. Prasad Memorial Lecture, delivered by Rao in 2006, Hyderabad: Administrative Staff College of India Publication.
4. Rangarajan, C. (2006, July 27). *The Widening Scope of Insurance*. Paper presented at The Widening Scope of Insurance Convocation Address Hyderabad.
5. Rao, T. D. (1999). Life Insurance Business in India: Analysis of Performance. *Economic and Political Weekly*, 34(31), 2174-2181.
6. Sinha, R. P. (2009). Investment of Life Insurance Companies. *Insurance Chronicle*. The ICFAI University Press, 48-53.
7. Sinha, T. (Producer). (2004). Insurance Sector in India: Towards the 2020 Vision. Retrieved from <http://icpr.itam.mx/papers/sinha2020.pdf>. on 07 January, 2014.
8. Tone, K. & Sahoo, B. K. (2005). Evaluating Cost Efficiency and Returns to Scale in the Life Insurance Corporation of India using Data Envelopment Analysis. *Socio-Economic Planning Sciences*, 39, 261-285.