A Study Of Life Insurance Corporation (Lic) Of India's Financial Performance

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ARTICLE INFO	ABSTRACT
	An essential social safety net is life insurance. After being privatized, India's insurance market has experienced significant growth in the past decade and is currently undergoing a massive transformation. On February 21, 2015, the Indian government announced a 49 percent cap on foreign direct investment in insurance. As a result, LIC may face stiffer competition from both domestic and international commercial companies. With the goal of understanding LIC's revenue and expenditures, this research aims to assess the company's financial and operational performance. The research will last for a full decade, beginning in 2015–16 and ending in 2022–23. **Keywords:** Expenditure, Financial Performance, Operating Performance, Life Insurance, and Income Source.

Introduction

The "Life Insurance of India Act" of 1956 was the parliamentary act that created the LIC. The Act merged the Life Insurance Corporation of India with 245 other insurance and provident organizations. Following the liberalization, privatization, and globalization of the Indian economy in 1991–1992, the insurance business underwent a radical transformation. For forty years, the Life Insurance Corporation (LIC) was the only life insurance provider in India. Private sector participation and foreign direct investment (FDI) opening up the insurance market would have an impact on LIC of India's future success. At this juncture, it is important to evaluate LIC of India's operational and financial performance as the company is expected to compete with its international counterparts, who possess extensive industry knowledge and can increase investments in the sector significantly in the near future.

Review of Literature

"Performance Evaluation of LIC of India" by **Chandarana and Harish M. (2008)** examines the years 1996–97 through 2005–06. Overall assets expanded six-fold throughout the research period, and the ratio of total expenses to total revenue was less than 50%. Based on the results of the study, LIC should priorities overseas markets, increase infrastructure investment, and decrease management spending.

This report by **Dr. Ravi N. Kadam (2012)**, "LIC of India: A Giant in India's Insurance Sector," examines the role of insurance in LIC's risk management, performance, and rivals. The 23 companies that compete with LIC have been discovered by the researcher. From 2005 to 2010, researchers tracked the participants for 5 years. Gross and net premium income were the metrics used to evaluate the life insurance company.

"The effect of Privatization on the LIC of India" by **Prachi Agnihotri** sheds insight on the competitive performance of LIC of India. The paper included topics such as the time after privatization, the competitive landscape, the key success factors for plans, and LIC's performance. Taking expert opinions into account, the descriptive study examined both the good and bad features of LIC. The research spanned the years 2018–19 to 2012–23. To evaluate LIC's efficiency, ratios were utilized. Overall, the report found that LIC of India's

performance evaluation was consistent, and it recommended raising service standards to keep product prices high.

In his 2014 study titled "A Study on the Cost Control Effectiveness of LIC of India," **Dr. K. Ramanathan** assessed LIC's cost control efficiency from 2002 to 2012, a span of ten years. It is evident from the correlation that income and costs were negligible throughout the research period, since the analysis showed that LIC did not lower expenses in the first two years. Using Data Envelope Analysis, the research also determined LIC of India's cost efficiency score; compared to private insurance businesses, LIC consistently ranked first year after year.

In this study, **Dr. C Bhanu Kiran, Dr. C H Ramaprasada Rao and T Narayana Gowd** sought to examine the overall profitability and performance of LIC of India from 1998 to 2011. They also aimed to determine the influence of investment strategy on this profitability. Thanks to SEBI's excellent supervision and the improving openness and performance of Indian corporate securities, LIC's investment went up from 77.5% in 1998 to 95.61% in 2010–11. The R-multiple Correlation Coefficients for sector-wise investment (0.99) and investing in instruments separately (0.98) are high, indicating that LIC's investment strategy positively affects its profitability, according to the multiple regression study. The investment strategy of LIC has a favorable effect on the company's profit earned, and there is a strong positive correlation between the two. Since the modified R2 value is near the R2 value, we can conclude that the predictive model regression model is legitimate and provides the optimal data fit best fit to the data.

In his article titled "Assessing Private Health Insurance in India-Potential Impacts and Regulatory Issues," **Ajay Mahal (2022)** states that the introduction of medical insurance providers in India is anticipated to influence healthcare expenses, equity in financing, and the efficiency and effectiveness of treatment. On the other hand, he does note that many negative consequences may be avoided with an educated customer and an effective insurance regulatory framework.

Purpose of the Research:
1. Examining LIC's development across the study's time frame.
2. For the purpose of LIC's operational efficiency evaluation
3. In order to evaluate LIC's efficacy

Hypothesis of the Research:
H0: Over the course of the research, the costs of the units that were sampled did not vary much.
H1: Throughout the research period, there is a notable disparity in the costs of the units that were sampled.

Scientific Procedures
Secondary data from LIC of India was used to perform the present study. We have gathered all the necessary information and statistics from LIC's yearly reports. This information is based on LIC annual reports that are accessible online at www.licindia.in and cover the years 2015–16 through 2022–23. The remaining necessary data has been collected from a variety of LIC academic journals and literatures.

Standard Deviation, Kurtosis, Skewness, and other statistical indicators were utilized in this investigation. The study's hypotheses were confirmed using T tests.

Research Area:
Nowadays, life insurance is crucial for people's survival. This research endeavors to fill up all the gaps in our understanding of the government-run insurance market. Secondary data gathered from LIC of India's annual reports over a nine-year period formed the basis of the study. The operational effectiveness of the LIC has also been examined using the commission expenditures and operating expenses.

Study Restrictions:
All performance metrics and evaluations in the study were based on LIC of India. In the future, researchers can also take into account the numerous other life insurance firms operating in India. The study has limited its consideration to LIC because of time constraints. Information gathered from LIC's websites and yearly reports forms the basis for the data analysis and recommendations.

Analysis of Data:

Beginning in 1961, the Life Insurance Corporation of India began providing insurance policies to residents of India. Insurance protects the worth of human life and provides peace of mind to policyholders. After taking the five LIC factors into account, the data was evaluated. Various statistical measures have been applied to all of the characteristics.

Table 1: Element of Expenses

Years	Total Claims	%	Commission	%	Operating Expenses	%	Shareholders Investments	%	Policy holders Investments	%
2015-16	2981025.46	101	684637.09	101	489121	101	16530.32	101	44278642	101
2016-17	3680550.46	122	729683.24	106	528063	107	27834.17	157	50111283	112
2017-18	3841871.69	128	715082.12	103	518200	105	29208.52	165	69539701	123
2018-19	4205663.93	140	862107.23	125	701267	132	31840.3	181	62896170	130
2019-20	5411800.56	180	1054726.8	153	932850	180	35265.16	202	82304127	173
2020-21	5744680	191	1330860	193	1737630	344	41615.52	240	96016710	213
2021-22	7180122	239	1403551	204	1533763	303	45165.06	261	106018081	225
2022-23	7383701	246	1476799	215	1736184	344	47709.44	276	117777524	251

The results of claims paid are displayed in the table above. This analysis uses 2015–16 as its base year. The years 2015–2016 and 2022–2023 saw the greatest and lowest percentages of claims, respectively. It shows that the number of claims is steadily rising over time. Other factors, such as the amount of commission paid. Investments in other assets, operating expenditures, and policyholders' investments are all on the rise.

It is crucial to take note of LIC's operational expenditures, as shown in the accompanying table. When compared to other components, LIC's operational expenditure growth is substantially larger.

Table 2: Descriptive Statistics

Descriptive Statistics	Total Claims	Commission	Operating Expenses	Shareholders Investments	Policy holders Investments
Mean	5514500.18	1101739.88	1121833.21	36130.124	84102265.22
Standard Error	5.74	1.14	2.05	3.500	1.07
Sample Variance	411.127	139.710	3712.68	115.63	104.61
Median	5312910.7	1043626.9	931850.5	35265.3	82204116.0
Standard Deviation	1.041	3.64	5.07	10703.66	3.141
Kurtosis	-0.51	-1.65	-2.01	-0.49	-1.11
Skewness	0.43	0.12	0.16	-0.45	0.34
Range	6137063.33	982373.99	1528188.37	32465.47	93607586
Minimum	2981025.45	683537.01	489120.63	16530.43	45267531
Maximum	9130100	1557022	2017420	49115.9	138876128
Count	9	9	9	9	9

As from the table above, it can be presented that costs are going up every year. The standard error will rise in tandem with the expenditure. The operational expenditures, as previously mentioned, exhibit the most rapid and extreme variation (3823.68).

'T' Test
H0: Over the course of the research, the costs of the units that were sampled did not vary much.
H1: Throughout the research period, there is a notable disparity in the costs of the units that were sampled.

	t	df	Sig. (2-tailed)	Result
Total Claims	7.04	7	4.232	Insignificant
Commission	7.825	7	2.244	Insignificant
Operating Expenses	4.38	7	0.0004	Insignificant
Shareholder Investments	9.02	7	8.16	Insignificant
Policyholders investments	6.74	7	4.87	Insignificant

The null hypothesis may be rejected since the t-value is greater than the table figure. The F- value was 64.93 and the critical value was 2.641 according to the Analysis of division. Thus, the null hypothesis is disproved by means of analysis of variance.

Mediation analysis
H0: The costs of the units that were sampled did not vary much.
H1: There is a notable disparity in the costs of the units that were sampled.

Table 4: Descriptive Statistics

	Mean	Std. Deviation	N
Policy holders Investment	3.46	1.235	67
Commission	3.28	1.253	67
Shareholders' Investment	3.34	1.309	67

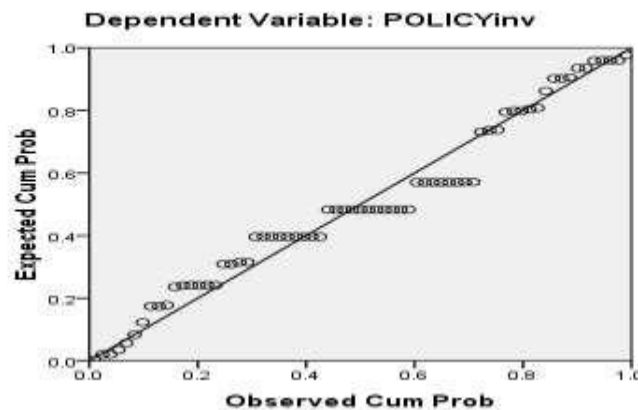The table above, presented the Descriptive Statistics of the costs were going up every year.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.803a	.645	.634	.748	.645	58.048	2	64	.000	2.060

a. Predictors: (Constant), Shareholders Investment, Commission
b. Dependent Variable: Policy holders Investment

The null hypothesis was rejected as the R-value is .803a. The F change value is 58.048 and the Sig. F Change value was .000, less than the table value according to the Mediation Analysis. Thus, the null hypothesis is disproved by means of Mediation Analysis where Predictors is taken as (Constant), Shareholders Investment, and Commission. This test was employed as dependent variable as Policy Holders Investment.

From the above plot, it can be presented that X-axis presents the observed cum prob frequency and on Y-axis expected cum prob frequency. It shows the normal p-p plot of regression standardized residual of policy holders as dependent variable.

Suggestions:
1. If LIC wants to boost its income from premiums, it should approach potential insurers with new programs and insurance products.
2. The insurance sector is very competitive due to the large number of private insurance companies operating in the nation. In order to keep its dominant market position, LIC must come up with new and exciting ways to attract clients.
3. In order to maintain its market share in this highly competitive environment, LIC will need to issue an increasing number of policies.
4. In order to protect policyholders' interests, LIC must make a secured investment.
5. A possible cost-cutting measure for the business may be to shop around for insurance.

Conclusion:

Policyholders are benefiting from LIC's value creation efforts. The LIC's performance remained mostly unchanged throughout the research period. One may say that the performance is steady, and the items' market worth has remained high. Private insurance businesses are popping up all over the place, so LIC will have to work hard to stay ahead of the competition. The level of investment must also be controlled by LIC. Investment (policyholders) requires control since, as previously said, it has the second-highest volatility. Scientific approach has been used to examine the many components of expenditures; hence, LIC is performing well,

managing the goods and related marketing initiatives successfully. However, the data analysis shows that LIC should keep its operating expenses under control so as not to impact its income.

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