

Performance of Life Insurance Corporation in Keonjhar District of Odisha



Puja Archana Mishra

Research Scholar,
Deptt. of Economics,
North Orissa University,
Baripada, Odisha, India



Kabita Kumari Sahu

Assistant Professor,
Deptt. of Economics,
North Orissa University,
Baripada, Odisha, India

Abstract

The objective of present paper is to analyse the trend of life insurance business of Keonjhar District in Odisha. The study is based on secondary data collected from annual Report of LIC of Keonjhar District of Odisha. The study has used percentage, pie chart, line chart and descriptive statistics for analysis. The growth of premium and sum assured has been computed from new business of Keonjhar District from 2010-11 to 2017-18. The Life Insurance Corporation of India plays an important role for providing insurance protection at the time of death and old age in one hand and accelerating the growth of our economy on the other. It is an important constituent of India's capital market. It collects huge fund from the public and invests them in agriculture, industry, transport and other economic activities.

Keywords: Growth, Insurance, Life Insurance, Trend.

Introduction

Insurance sector is a major contributor to the financial savings of the household sector in the country, which are further channelized into various investment avenues. After liberalization of insurance sector, insurers have introduced innovative product and tailor made products which are absolutely sit to rural population. The insurance sector is regulated by the Insurance Regulatory and Development Authority (IRDA) Bill was passed by the parliament in December 1999. The IRDA became a statutory body in April 2000 and has been framing regulations and registering the life insurance companies. Life insurance is one of the sectors which have an adequate growth potential. It is the only financial asset which provides return in addition to the life risk coverage.

Life Insurance Corporation of India (LIC) came into existence on 1st September, 1956 after nationalization of all the 245 companies engaged in life insurance business. There were 170 companies and 75 provident fund societies transacting life insurance business in India. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

Objectives of the Study

The study in this paper has following objectives.

1. To analyse the trend and growth of premium and sum assured of different LIC policy schemes in Keonjhar District.
2. To suggest the measures to improve the performance of LIC in Keonjhar District.

Data and Methodology

The present study is based on secondary data. Data and information extracted from Annual Reports of IRDA and LIC of India, and Annual Reports of LIC, Keonjhar. The information so collected, classified, tabulated and analysed as per the objectives of the study. Percentages, growth are used as tools for analysis with MS-Excel Data Analysis.

Review of Literature

Selvavinayagam, K. and Mathivanan, R. (2010) 96 article has revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policyholders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies.

The literature on performance of LIC is very vast and extensive. Few important studies on insurance are reviewed below. C. Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011), in the research paper titled "Innovative Strategies to Catalyze Growth of Indian Life Insurance Sector-An Analytical Review" discussed about the impact of global recession on the fastest growing Indian insurance market and found that the entry of many private companies has created a paradigm shift in insurance marketing.

Chaudhary (2012) explained that today India is one of the fastest growing economies of the world. The Insurance Industry contributes to the financial sector of an economy and also provides social security to the people of a country. The income earning capacity and increasing rate of literacy are the key factors of the growth of the Insurance industry. This sector provides for the long term contractual savings and security. The investors in life insurance are looking for both good return and life risk coverage.

Dr. Ravi N Kadam (2012), "LIC of India: A Giant in India's Insurance Sector" has made a study on importance of insurance in risk management, performance and competitors for LIC. The researcher has identified the 23 competitors for LIC. The study was done for a period of 5 years from 2005 to 2010. The life insurance business was measured on the basis of gross premium income and net premium income.

Prachi Agnihotri (2012) in her study, "The impact of Privatization on the LIC of India" has thrown a light on performance of LIC of India in a competitive position. The article contained post privatization period, competitive environment, major attributes for success of plans and performance of LIC. The descriptive study was conducted on the negative and positive aspects of LIC by considering the views of experts. The study period was 5 years from 2008-09 to 2012-13. Ratios were used to analyze the performance of LIC. It was concluded saying that overall performance evaluation of LIC of India is consistent and suggested to have more service standards to maintain market value of products.

Kalani et al., (2013) in a study observed the claim settlement ratio of LIC with other insurance company in India for year 2009-10, 10-11 and 11-12. and discussed customer opinions of LIC policy holder related to claim settlement policy with help of small survey in Jalgaon branch. Primary data collected through Interaction with the staff members in corporation and questionnaire filled by LIC customers and secondary data through published reports, newspapers, journals, and websites. The LIC is India number one insurance company who has very low claim pending ratio and very high claim settlement ratio with compare to other insurance companies in India. The maximum customers are satisfied with existing claim settlement policy of LIC.

Dr. K Ramanathan (2014), "A Study on the Cost Control Efficiency of LIC of India" in his article has evaluated the cost control efficiency of LIC during the period 2002 to 2012 for 10 years. The analysis revealed that in first two years of the study LIC didn't

reduce the expenses it has been made clear from the covariance that income and expenses were insignificant throughout the study period. The study also calculated the cost efficiency score of LIC of India using Data Envelope Analysis and in all the years LIC had scored the highest rank and maintained consistency compared to private insurance companies.

Luqman Adedamola Sulaiman, Stephen Migiro, Tessema Yeshihareg (2015), from south Africa in their research work, "Investigating the factors influencing the life insurance market in Ethiopia" have made a study using secondary data on eleven independent variables – six of which are economic and five demographic variables for a period of 28 years from 1979/1980 to 2007/2008 and for analysis purpose error correction mechanism (ECM), the Johansen co integration test and the Augmented Dickey-Fuller test were utilized. The study found that Inflation had a statistically noticeable negative impact on the demand and supply in the life insurance market. In addition, there was a statistically significant negative effect of young dependency ratio on life insurance market demand while old dependency ratio had a statistically significant positive relation to life insurance supply. The researchers have recommended that during high inflation, life insurance companies should revise price decisions to enhance the life insurance market and to minimize the inverse effect of young dependants; insurers need extensive sensitization on the young age through their families and promote products that suit the young children – such as children's education policies.

C. Balaji (2015), in his paper- Customer awareness and satisfaction of life insurance policy holders with reference to Mayiladuthurai town tries to measure awareness among the urban and rural consumer about the insurance sector and also the various policies involving various premium rates. The study was conducted by examining around 100 sample respondents which revealed that 100% of respondents are aware of the life insurance policies; where as 87% of the respondents came to know about insurance policies through agents. But it also came to light that Most of the respondents are aware of government insurance company LIC and in the private sector HDFC Standard Life insurance. Finally the research concludes that the penetration level of insurance in India is only 2.3% when compared to 9-15% in the developed nations. So there is a huge market for the Insurance products in the future in India.

Chakraborty (2016) examined the extent of concentration and competition prevailing in the Indian life insurance sector covering the period from 2008-09 to 2015-15, against the backdrop of the global financial crisis. The sample size included 18 life insurance firms in India who has been consistently operating across all the years of the study period, ignoring the new entrants during the period. The study has used the application of the Herfindhal-Hirschman Index(HHI) and the k-concentration ratios to evaluate the extent of competition prevailing among the 18 life

insurance firms over the study period, the study has further demonstrated the disparity in the performances of the sole public sector and the 17 private sector life insurance firms, since the outbreak of the global meltdown, the results of the study has revealed the pre existing dominance of LIC in the Indian life insurance market, both in terms of market concentration and premiums underwritten, even after 15 years since the privatization of the country's insurance sector.

Benhabib, Perla, Tonetti (2017) highlighted that, there is no pure diffusion, since each action for adaption has a chance to create something new or requires some innovative action to adopt the new technology for insurance sector. Similarly, every process of invention requires the adaptation of already existing (sometimes foreign) knowledge.

Performance of Life Insurance Corporation in Keonjhar District

The LIC has recorded a significant growth in term of number of policies and collection of premiums. LIC was established on 25th November 1973 in Keonjhar district. It is a rural branch of Keonjhar District. There are two Satellite Sampark Office (SSO) of this branch i.e. Barbil and Joda. There are two Chief Life Insurance Advisors (CLIA) of this branch; one advisor is in Anandapur subdivision and other in Baniapat in Keonjhar district. In the year 2018, benefit

paid to the policy party from LIC in Keonjhar District is Rs.54.81crore, branch Income is Rs.114.81crore and surplus is Rs.54.70crore. In 2018, numbers of Ordinary policies are 251709 and number of Salary Saving Scheme Policies are 46718. The LIC has huge investible funds and the main source comes from the premiums collected from the policy holders. The Corporation invests funds in various states, industries and also in various other countries. The LIC, while investing its fund, has to consider various factors and forces such as safety, liquidity and productivity of fund with various other regulatory bindings in terms of investment norms, asset-liability management etc. In the current fiscal year, the company has recruited about two lakhs insurance agent across the country, which is more than double of the 90,000 agents hired in the previous fiscal. It has also hired 4,500 development officers in the current fiscal year and 5,000 new officers could be hired in the next fiscal. It has bagged various awards which include Loyalty Award 2009, Golden Peacock Innovative Product/Service Award 2009, and Readers Digest Trusted Brand Award 2008 in the Platinum Category, CNBC 'Awaaz' Consumer Awards 2008 and NDTV Profit Business Leadership Award 2008. 98 Economic Times Brand Equity Survey rated LIC as the No.1 service brand of the country for the 5th consecutive year.

Table -1 Total New Business Sold in Keonjhar District from 2010-11 to 2017-18

Sl. No.	Year	Ordinary Policy	Salary Saving Scheme Policy	Total	Growth rate of Ordinary Policy	Growth rate of SSS	Percentage of OP	Percentage of SSS
1	2010-2011	23899	4351	28250	-	-	84.60	15.40
2	2011-2012	19888	2461	22349	-16.78	-43.44	88.99	11.01
3	2012-2013	20216	3585	23801	1.65	45.67	84.94	15.06
4	2013-2014	20704	2632	23336	2.41	-26.58	88.72	11.28
5	2014-2015	12598	1744	14342	-39.15	-33.74	87.84	12.16
6	2015-2016	14485	2119	16604	14.98	21.50	87.24	12.76
7	2016-2017	16624	2782	19406	14.77	31.29	85.66	14.34
8	2017-2018	19702	3854	23556	18.52	38.53	83.64	16.36

Source: Annual Report of LIC of Keonjhar District

Table-1 reveals the total New Business sold in Keonjhar District from 2010-11 to 2017-18. The total numbers of Ordinary Policies were 148116 whereas the total number of Salary Saving Scheme policies were 23528 sold in the financial year from 2010-11 to 2017-18. The percentage of Ordinary Policies was 84.60 Per cent in the year 2010 which was increased to 88.99 Per cent in the year 2011 and decreased in the year 2012. After the year 2015 the percentage of Ordinary Policies was decreased and it was 83.64 Per cent in the year 2017 because of GST (Goods and Service Tax) implementation by the Govt. of India. But the percentage of Salary Saving Scheme policies was 15.40 Per cent in the year 2010 which was decreased continuously from 2011-12 to 2016-17

and further it increased to 16.36 Per cent in the year 2017-18.

The above table -1 shows the growth rate of Ordinary Policies and Salary Saving Scheme from 2010-2017. It was understood that LIC of Keonjhar District has registered significant growth in terms of Ordinary Policies except in the year 2011-12 and 2014-15 and Salary Saving Scheme except in the year 2011-12, 2013-14 and 2014-15. LIC of Keonjhar District met negative decline in collection of Ordinary Policies were -16.78 Per cent in 2011 and -39.15 Per cent in 2014 and also Salary Saving Scheme policies were -43.44 Per cent in 2011, -26.58 Per cent in 2013 and -33.74 Per cent in the financial year 2014-15. Table-2 explains the descriptive statistics of Table-1.

Table-2 Descriptive Statistics

Statistical Measure	Ordinary Policy	Salary Saving Scheme Policy	% of OP	% of SSS
Mean	18514.50	2941.00	86.45	13.55
Standard Error	1301.06	318.93	0.71	0.71
Median	19795.00	2707.00	86.45	13.55
S. D	3679.95	902.07	2.01	2.01
Kurtosis	-0.45	-1.07	-1.73	-1.73
Skewness	-0.40	0.37	-0.04	0.04
Range	11301.00	2607.00	5.35	5.35
Minimum	12598.00	1744.00	83.64	11.01
Maximum	23899.00	4351.00	88.99	16.36
Count	8.00	8.00	8.00	8.00

Source: Author's calculation

The table-2 shows that the average of ordinary policy sold is 18514.50 and Salary Saving Scheme Policy was only 2941.00. It implies that ordinary policies are sold more in Keonjhar than salary saving policies. The employees of Government

departments prefer annual or biannual deposit than monthly deposit of premiums. The variation is more in ordinary policies than SSS policies. The Fig-1 shows the bar diagram over the years.

Fig.-1 Number of Ordinary and Salary Saving Scheme Policy Sold



Fig-1 shows the number of Ordinary Policies and Salary Saving Policies sold by LIC of Keonjhar District in the year from 2010-2017. Both Ordinary and

Salary Saving Policies were highest in the financial year 2010-2011.

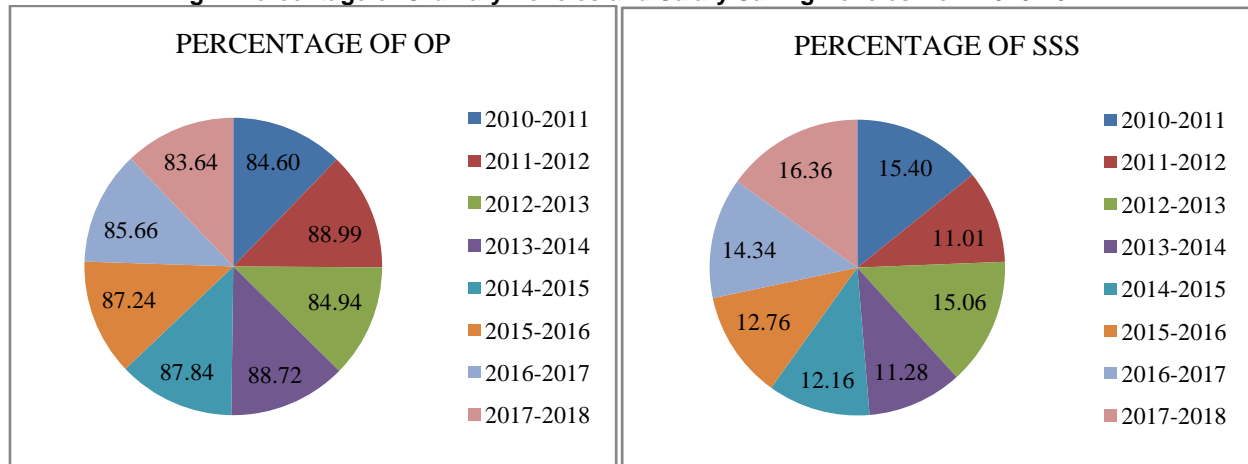
Fig.2: Percentage of Ordinary Policies and Salary Saving Policies from 2010-2017

Fig-2 shows the percentage of Ordinary Policies and Salary Saving Policies in the year from 2010-2017. In the above figure, the percentage of

Ordinary Policies high in the year 2010-11 was 86.60 Per cent and the Salary Saving Policies high in the year 2017-18 was 16.36 Per cent.

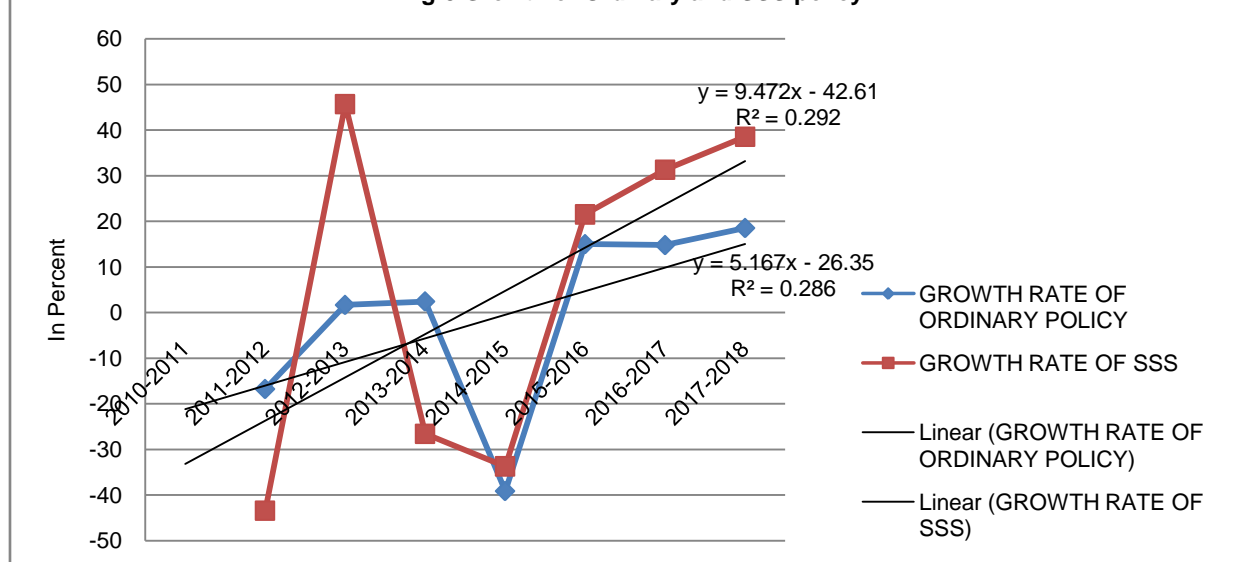
Fig-3 Growth of Ordinary and SSS policy

Fig- 3 shows the growth rate of Ordinary Policies and Salary Saving Policies from 2010-2017. In the above figure, there was negative growth of Ordinary Policies in the year 2011-12 and 2014-15 and also negative growth of Salary Saving Policies in the year 2011-12, 2013-14 and 2014-15. The table-2

shows that the first premium and sum assured collected from Individual Pension Plan from 2010-2017. The Least squares equation reveals that there is increasing trend of both ordinary and salary saving schemes over times.

Table No 3: Individual Pension Plan from 2010-2017

Year	Number of Policies	First Premium (Rs in lakhs)	Sum Assured (Rs in lakhs)	First Premium/No of policy	Sum assured/No of Policy	Growth rate of FP	Growth rate of SA
2010-11	983	351.2	924	0.36	0.94	-	-
2011-12	31	33.4	129	1.08	4.16	-90.49	-86.04
2012-13	9	1.37	15	0.15	1.67	-95.90	-88.37
2013-14	85	37.2	44	0.44	0.52	2615.33	193.33
2014-15	72	29.9	39	0.42	0.54	-19.62	-11.36
2015-16	68	24.63	36	0.36	0.53	-17.63	-7.69
2016-17	193	146.32	79	0.76	0.41	494.07	119.44
2017-18	243	354.51	98	1.46	0.40	142.28	24.05

Source: Annual Report of LIC of Keonjhar District

The table-3 shows Individual Pension Plan Policies were collected from 2010-11 to 2017-18 in Keonjhar District. During the period from 2010-2017, the total 1684 number of policies were sold in Keonjhar district. In the year 2010-11, the first premium was Rs.351.2 lakhs then there was heavy declined to Rs.1.37 lakhs in 2012 and further it was increased to Rs. 354.51 lakhs in the year 2017-18. During the same period, the sum assured was Rs.924 lakhs and heavy declined to Rs.15 lakhs in the year 2012-13 and further it was increased to Rs.98 lakhs in the year 2017-18. In the above table, during the

period from 2010-11 to 2017-18, the total number of policies was 1684 sold in Keonjhar District. The percentage of NOP was 58.37 Per cent in 2010 which decreased to 0.53 Per cent in 2012 then further it was increased to 14.43 Per cent in the year 2017-18. The ratio of first premium and number of policies is 1.46 in 2017-18 but it is low in other years which fluctuate every year. First Premium of IPP Policies. It was negative to -90.49 Per cent in 2011, -95.90 Per cent in 2012, -19.62 Per cent in 2014 and in 2015 it was 17.63 Per cent.

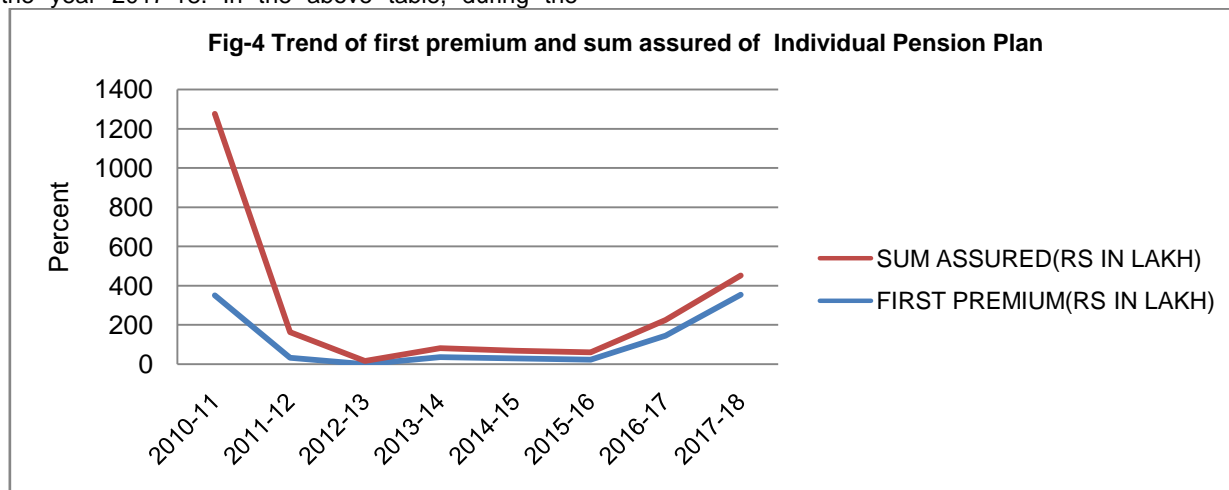


Figure - 4 shows First Premium and Sum Assured of IPP Policies were collected by LIC of Keonjhar District from 2010-11 to 2017-18. The first

premium was highest in the year 2017-18 and the sum assured was highest in the year 2010-11.

Table-4: Performance of LIC in Keonjhar District during 2010-2017

Year	No. of Policies	Single Premium Policies (Rs in lakhs)	Non-single Premium Policies (Rs in lakhs)	% of Single Premium Policy	% of Non single Premium Policy	Growth rate of SP	Growth rate of NSP
2010-11	27970	1303.86	919.5	58.64	41.36	-	-
2011-12	5005	177.01	188.24	48.46	51.54	-86.42	-79.53
2012-13	22347	392.16	858.33	31.36	68.64	121.55	355.98
2013-14	23336	573.78	1211.29	32.14	67.86	46.31	41.12
2014-15	14342	265.71	943.51	21.97	78.03	-53.69	-22.11
2015-16	16604	994.64	879.75	53.06	46.94	274.33	-6.76
2016-17	19572	680.5	1316.33	34.08	65.92	-31.58	49.63
2017-18	23556	1433.01	1351.58	51.46	48.54	110.58	2.68

Source: Annual Report of LIC of Keonjhar District

The table-4 clearly shows the performance of LIC in Keonjhar District. In the above table, the total number of policies was 152732 during the year from 2010-2017. The Single Premium collected by LIC of Keonjhar District was Rs.1303.86 lakhs in the year 2010, then there was a continuous declined and further it was increased to Rs.1433.01 lakhs in the year 2017-18. In the year 2010, the Non-single Premium was Rs.919.50 lakhs collected in this district which were decreased in the year 2011 and 2012 then increased to Rs.1211.29 lakhs in the year 2013 then further it was declined in the year 2014 and 2015 then it was increased to Rs.1351.58 lakhs in the year 2017-18.

The above table-4 shows the growth rate of Single Premium and Non-single Premium during the

year from 2010-2017. The above table exhibits that growth rate Single Premium collected by LIC was 121.55 Per cent in 2012-13. Moreover, LIC showed a negative growth for the year 2016-17 at -31.58 Per cent as against its previous year 2011-12 and 2014-15. Similarly, the growth rate of Non-single premium collected by LIC was 355.98 Per cent in the year 2012-13. There was a negative growth for the year 2015-16 at -6.76 Per cent as its previous year 2011-12 and 2014-15.

Suggestions

The following suggestions are put forwarded to improve the growth and performance of Life Insurance Corporation in Keonjhar District.

1. LIC should continue increasing offices in rural areas as majority of the population of India and also in Keonjhar District lives in villages.
2. Operating cost as compared to premium underwritten should be controlled.
3. LIC should extensively popularize its insurance schemes among the general public.
4. Awareness about the Life Insurance policies in Keonjhar District should be created among the people through electronically like TV, Radios etc and physically like Van, Banner etc.
5. Awareness about the Life Insurance policies in Keonjhar District should be created among the people of slum area through road shows like 'PALA' and 'RAMKATHI'.
6. LIC of Keonjhar District should activate their marketing force.

Conclusion

India being a developing country, the importance of life insurance in the national economy is paramount. Every year LIC of India in this district has been increasing the numbers of policies sold and the total amount of premium collected. Changing government policy and guidelines of the regulatory authority, IRDA have also played a vital role in the growth of the sector. The implementation of GST (Goods and Service Tax) by the Govt have losses the business of LIC in this district in the financial year 2014-15 because the people of village area of this district doesn't aware about this system. After 2015 again the business of LIC increased in this district. Though the sector is growing fast, the industry has not yet insured even 50 Per cent of insurable population of Keonjhar District. Development of products including special group policies to cater to different categories should be a priority, especially in rural areas of Keonjhar District.

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