

A STUDY OF PERFORMANCE OF LIC IN COMPARISON WITH OTHER PRIVATE INSURANCE PLAYERS

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Abstract: Ever since its establishment in 1956, Life Insurance Corporation of India has been going from strength to strength. Even during the era of LPG, the charm of LIC has not decreased. It continues to hold sway in the market, attracting lakhs of customers year after year. The present study made an attempt to know the position of LIC with that of the other private insurance players in Indian insurance sector. The study has considered the secondary data from 2015-16 to 2018-19 years. First year premium, single premium and investment income have been studied. This paper is useful to the management of LIC, regulator, various insurance companies and academic research scholars.

Keywords: LIC, LPG, Premium, Management,.

INTRODUCTION: The backbone of risk management in the country is “**Insurance**”. It facilitates individuals and organisations to minimise the risks impacting directly on insurance industry growth and development. In addition to solving customer concerns, improving efficiency in order to achieve sustainable growth is another major challenge faced by Indian insurers. Indian insurance industry faces significant challenges in reaching the willing consumers and serving them, attracting and retaining players, creativity in products and delivery etc. Private companies struggle to raise insurance awareness, build brand strengths, meet regulatory requirements, establish a broad distribution network and set up infrastructure to maintain sustainable growth. The life insurance market anticipates different customer segments with various requirements, which increases the value of a fresh and competitive dynamic. Consumers rate life insurance above any other investment option because it offers savings, tax benefits and tax protection conveniences. Life insurance products are highly popular with all investment choices in India and have great demand.

The insurance sector in India has seen dynamic changes, including the entry of a number of multinational life and general segment insurers. As of 2020, the life insurance market has 24 players compared to just four in FY02. With 72% market share in FY20, LIC continues to be the market leader, followed by SBI (5.1%), ICICI (4.9%) and HDFC (4.1%).

According to EY-ASSOCHAM's report, the insurance sector continues to be a rapidly growing market with a compound annual growth rate of 12% (CAGR). As of 18 Years old, India is the 11th largest insurance market in the world with a 10th overall life insurance premium. The Indian insurance industry currently provides insurance services to 24 life insurance companies and 33 non-life insurance companies. The Indian insurance industry is expected to rise to Rs 19, 56, 920 (USD 280 billion) by 2020 due to strong economic growth and increased disposable personal income in the country, as indicated by the Indian Brand Equity Foundation (IBEF). Gross insurance penetration in India amounted to 3.69 per cent in 2017, compared to 2.71 per cent in 2001. Indian gross premiums amounted to USD 58.5 billion and USD 24.3 billion in non-life insurance for FY19 to USD 82.8 billion in life insurance.

REVIEW OF LITERATURE

Ms. Pooja Puri and Dr. Harinder Singh Gill(2017) The study focused on life insurance business in India and privatization of life insurance sector. The study was carried out with an objective of finding out customer satisfaction, finding out consumer preferences, awareness levels of consumers. The study was conducted in Amritsar. Non-probablistic sampling methods were used. Percentage method, Factor analysis, Chi-Square and Weighted average were used in the study. It was found that, consumers are satisfied more with LIC than with private insurance players with reference to security.

Dr.Parmasivan (2015) made a comparison between public and private life insurance companies in India. To find out financial performance, solvency ratio, current ratio and debt equity ratio have been used. The study indicates that LIC continues to be the leader in the sector. Private sector insurance companies used modern business channels of marketing when compared to the LIC. Selling more unit-linked plans helps private insurers grab market share from LIC. Solvency ratio and lapsation ratio of private insurers was much better than LIC. Servicing of death claims was better in case of LIC as compared to private life insurers.

Kumari (2013): Researcher evaluated the financial performance of both the public and private life insurance companies. It found that premium income growth of public insurance companies is far better than private insurance companies and also stated that financial health condition of public insurance companies is better than private insurance companies. It also concluded that LIC in public insurance companies is dominating the private insurance and public insurance. It also synchronized that there was a substantial improvement in the overall market output of the Indian life insurance industries over study period (2007-08 to 2012-13).

OBJECTIVE OF THE STUDY

1. To compare the performance of LIC India with that of private insurance players.
2. To analyze LIC of India's position among its competitors with regard to its size of business.

RESEARCH METHODOLOGY:

PERIOD OF THE STUDY

The present study has been conducted using secondary data of LIC of India, other private life insurance players and IRDP Annual Reports. The data for a period of 4 years from 2015-16 to 2018-19 was collected from annual reports of LIC available in the website www.licindia.in, private life insurance players' websites and IRDA reports. The other required information has been gathered from various academic journals, literatures of LIC.

SCOPE OF THE STUDY

The study has compared the financial performance of Life Insurance Corporation of India and private insurance life insurance players. The study has considered the key indicators like premium collected, benefits paid, dividends paid, new policies issued. The study has considered the secondary data from the period of 2015-16 to 2018-19.

HYPOTHESIS OF THE STUDY

H₀: There is no significant difference in first year premium between LIC and other Life Insurance Companies.

H₁: There is a significant difference in first year premium between LIC and other Life Insurance Companies

H₀: There is no significant difference single premium between LIC and other Life Insurance Companies.

H₁: There is a significant difference single premium between LIC and other Life Insurance Companies

H₀: There is no significant difference in investment income between LIC and other Life Insurance Companies.

H₁: There is a significant difference in investment income between LIC and other Life Insurance Companies

TOOLS OF ANALYSIS

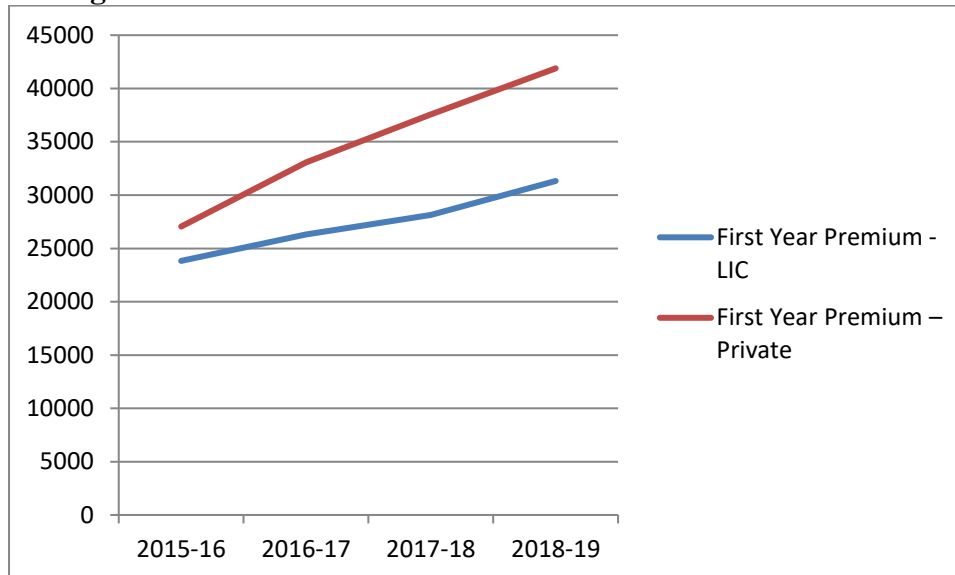
Obtained data are tabulated. Bar diagrams and paired t test are used to analyse the data.

TABULATION OF DATA & DISCUSSION

Table: First Year Premium of LIC India and Private insurance companies (in Crores)

| Year | First Year Premium – LIC | First Year Premium – Private |
|---------|--------------------------|------------------------------|
| 2015-16 | 23829.38 | 27053.01 |
| 2016-17 | 26301.03 | 33049.45 |
| 2017-18 | 28146.40 | 37581.33 |
| 2018-19 | 31326.22 | 41887.02 |

Figure: First Year Premium of LIC India and Private insurance companies (in Crores)



Paired T-test of First Year Premium of LIC India and Private insurance companies

P value and statistical significance:

The two-tailed P value equals 0.0194

This difference is considered to be statistically significant.

Confidence interval:

The mean of Group One minus Group Two equals -7491.9450

95% confidence interval of this difference: From -12685.9641 to -2297.9259

Intermediate values used in calculations:

$t = 4.5904$

$df = 3$

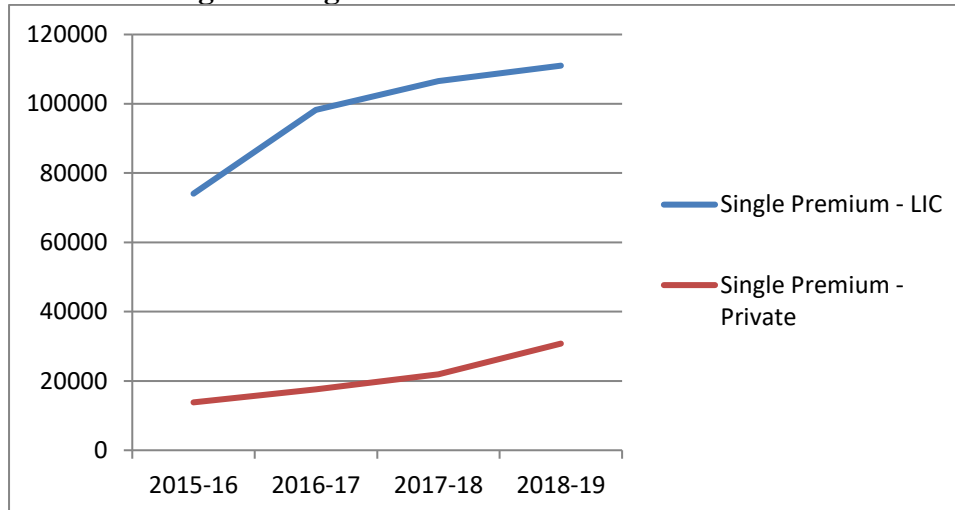
standard error of difference = 1632.085

| Group | Group One | Group Two |
|-------|------------|------------|
| Mean | 27400.7575 | 34892.7025 |
| SD | 3158.5533 | 6351.0512 |
| SEM | 1579.2766 | 3175.5256 |
| N | 4 | 4 |

Table: Single Premium of LIC India and Private insurance companies (in Crores)

| Year | Single Premium - LIC | Single Premium - Private |
|---------|----------------------|--------------------------|
| 2015-16 | 74062.13 | 13821.47 |
| 2016-17 | 98282.28 | 17569.92 |
| 2017-18 | 106525.29 | 21900.88 |
| 2018-19 | 111009.74 | 30780.06 |

Figure: Single Premium of LIC India and Private insurance companies



Paired T-test Single Premium of LIC India and Private insurance companies

P value and statistical significance:

The two-tailed P value equals 0.0008

This difference is considered to be extremely statistically significant.

Confidence interval:

The mean of Group One minus Group Two equals 76451.7775

95% confidence interval of this difference: From 58972.0386 to 93931.5164

Intermediate values used in calculations:

$t = 13.9192$

$df = 3$

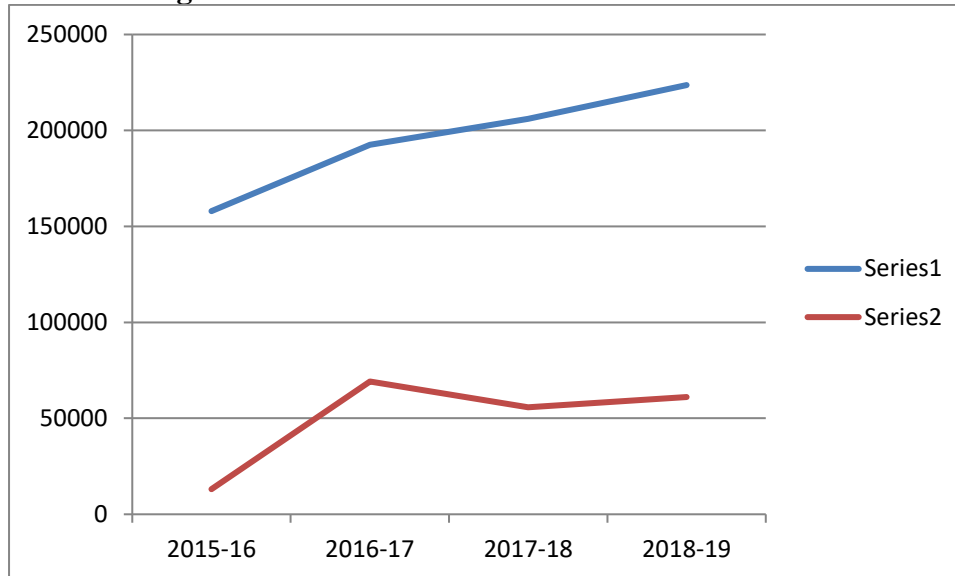
standard error of difference = 5492.551

| Group | Group One | Group Two |
|-------|------------|------------|
| Mean | 97469.8600 | 21018.0825 |
| SD | 16471.2984 | 7297.4103 |
| SEM | 8235.6492 | 3648.7052 |
| N | 4 | 4 |

Table: Investment Income of LIC India and Private insurance companies (in Crores)

| Year | Investment Income - LIC | Investment Income – Private |
|---------|-------------------------|-----------------------------|
| 2015-16 | 157961.30 | 13078.73 |
| 2016-17 | 192478.14 | 69184.14 |
| 2017-18 | 206069.53 | 55754.32 |
| 2018-19 | 223642.30 | 61158.07 |

Figure: Investment Income of LIC India and Private insurance companies



P value and statistical significance:

The two-tailed P value equals 0.0004

By conventional criteria, this difference is considered to be extremely statistically significant.

Confidence interval:

The mean of Group One minus Group Two equals 145244.0025

95% confidence interval of this difference: From 119180.3856 to 171307.6194

Intermediate values used in calculations:

$t = 17.7347$

$df = 3$

standard error of difference = 8189.810

FINDINGS OF THE STUDY

- First year premium, single premium, investment income are taken as indicators of business growth.
- As observed, first year premium of LIC is way ahead of other life insurance players in the market.
- In single premium also, LIC's premium is found to be significantly different from that of the other private life insurance players.
- In the case of investment income also, paired t test revealed that, LIC is miles ahead of other private life insurance players.

CONCLUSION OF THE STUDY

The study made a comparison of financial performance of LIC and other private life insurance players in Indian market. Even during the era of LPG, it is observed that, LIC still hold sway in the market and others are lagging far behind in the life insurance market in India.

LIMITATIONS OF THE STUDY:

- ✓ Considered four year of data only.
- ✓ Financial resources are limited.

FURTHER RESEARCH SCOPE

The present study mainly focused on the financial performance of the Life Insurance Corporation of India and other private life insurance players for the period from 2015-16 to 2018-19. Therefore, the study suggests to do further research to know the financial soundness of various life insurance players in the market with the help of CAMEL ratios, claims settlement ratios. The study also

recommends to examine the customers' perception on the claims management between the public and private sector insurance companies.

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