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IMPACT OF LIC IN SOCIO-ECONOMIC DEVELOPMENT OF INDIA

Dr. Sanjeev Kumar Bansal
Senior Lecturer, Department of A.B.S.T.
S.N.D.B. Govt. P.G. College, Nohar
District – Hanumangarh (Raj.)

Abstract

The Indian economy has been supported by its various economic reforms, which were enacted in 1991 and 2000. The insurance industry is a vital part of the country's development, as it provides a variety of economic functions that are different from other financial intermediaries. Without a risk management instrument, the activities of insurance would be more inefficient. The insurance sector is one of the fastest-growing sectors of the Indian economy, with an expected growth rate of around 15%. There are numerous international and national players in the industry, and they are all competing with one another to gain a share of the pie. Indian insurance firms offer a wide range of insurance plans, as the country's middle class continues to expand. India's nominal gross domestic product is ranked 11th among the world's nations, and it is also the fourth-largest by purchasing power parity.

KEYWORDS: Economic reform, Investment, GDP.

INTRODUCTION

In most countries, the government is the primary agency that provides social security to the weaker sections of society. This is done through various measures such as providing financial and physical support to those who are unable to afford private insurance. In advanced economies, the government is also playing a leading role in providing these types of social security benefits to individuals. The concept of providing benefits to employees was initially established for military service men. It has since been expanded to include other sectors of the workforce and is now universal in many developed countries. Some of the programs that are commonly offered include medical insurance, workers compensation, and disability.

Over the years, sociologists and economists have been advocating for a universal healthcare system, which would be managed by the government or its agencies. Families would typically spend a lot of time and resources caring for the sick and elderly. It was believed that states would be able to free their citizens from this burden by providing them with the necessary tools and resources to improve their productivity. Doing so would also help decrease the incidence of social unrest.

One of the objectives of the nationalization of the life insurance industry was to channel the funds benefit of the company to the communities it serves. Life insurance combines the two elements of protection and investment. Its primary obligation is to its policyholders and the community at large. While investing in mutual funds, the Life Insurance Corporation of India (LIC) has to consider the country's national priorities and the reasonable returns that it should be able to offer to its customers. It should also spread the investment across the range to secure the best possible returns and minimize the risk of adverse investment climate. The corporation has been working to provide adequate security to ensure that the people are protected. It has also been able to mobilize the savings that it has been able to collect for the benefit of the common people.

To promote social welfare, the corporation has been investing in various socially-oriented sectors. These include public and private sector entities, co-operatives and housing loans, land and property, loans and advances, and investments in various government and private securities. The Life Insurance Corporation of India (LIC) has a huge fund that it uses for the development of various infrastructure projects, such as railways, roads, housing, and water supply. These projects are important components of the country's infrastructure. Infrastructure refers to the structure below. Infrastructure is a basic component of every activity in the economy. It can be used to provide long-term supply of essential inputs, which can help boost the country's growth. Table-1 shows the LIC's infrastructure fund's investment in various projects.

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Table - 1 : LIC's Investment in Infrastructure Development

S.No.	Year	Housing	Electricity And power supply	Water Supply &sewerage	Total	% of Total investment			
						H	E	W	Total
1	2006-07	8731	7580	1881	64099.52	13.62	11.82	2.93	30.80
2	2007-08	10967	8214	2028	80665.00	13.27	9.97	2.45	33.67
3	2008-09	12242	9429	2264	93600.00	13.10	10.10	2.41	35.33
4	2009-10	14207	11392	2508	11402.69	12.45	9.98	2.19	26.13
5	2010-11	15885	13609	3001	139032.15	11.42	9.79	2.15	24.94
6	2011-12	17998	14017	3657	161981.48	11.11	8.65	2.25	22.01
7	2012-13	19054	17244	4000	184930.81	10.30	9.32	2.16	21.78
8	2013-14	19944	20613	4420	207880.14	9.59	9.91	2.12	21.62
9	2014-15	20694	21217	7111	230829.47	8.96	9.19	3.08	21.23
10	2015-16	21436	25727	10346	253778.81	8.44	10.13	4.07	22.64

In 1970, the government of India formed a committee to study the Investment Policy of Life Insurance Corporation of India. Based on the committee's recommendations, the corporation has made a total of 75 percent of its funds invested in socially-oriented projects. The fund's investment is regulated by section 27 of the Insurance Act of 1938. The corporation's funds are mainly invested in various government securities and loans to socially-oriented organizations. These include those in power, housing, water supply, sewerage, and road transport.

Before LIC made a significant contribution to the development of housing, it had not been able to make a significant impact on the residential accommodation sector. Not only was it required, but it was also very remunerative for the company to undertake large-scale housing programs. Due to its significant contribution, LIC's activities in this area are now being brought under special focus.

HOUSING DEVELOPMENT

It was felt that LIC should take up the construction of residential buildings in urban areas to provide housing to the lower and middle-class groups, who are in need of it. In other countries, insurance companies have been investing a lot of money in residential projects. This would be very beneficial for the organization as it would allow it to provide long-term financing to the local government for housing.

The corporation has a prime position in the housing finance industry. Since its inception, it has been providing various types of financial services to private and public housing associations, as well as individuals. As part of its efforts to address the country's housing crisis, the corporation decided to provide financial assistance to the state governments for the implementation of social housing schemes. This included providing financial help to employees of the state government and the low and middle-income groups. Through its financial assistance, the corporation was able to provide various benefits to the members of housing finance societies. These include providing them with loans and other financial services. In addition, it was able to provide bulk loans to different housing finance organizations. Besides building its own facilities, LIC also encouraged its employees to form housing societies. It provided loans to these societies. The corporation progressively introduced the following schemes for development of housing in the country:

i. Own the house scheme.
ii. Scheme for financing of cooperative housing societies formed by the employees of the corporation.
iii. Schemes for granting loans to individual employees of the corporation for construction of their houses.
iv. Schemes for granting loans to public limited companies for purpose of housing schemes of their employees.
v. Schemes for granting loans to cooperative housing societies of employees of public limited companies for construction of houses.
vi. Scheme for grant of loans to senior agents of the corporation for construction of houses.

Granting of individual housing loans now rests with LIC Housing Finance Ltd. The total investment in housing as on 31.03.2016 amount to Rs 20,130.43 crore. The corporation spent an amount of Rs. 245.65 crore on construction of own buildings, staff quarters and township development.

LIFE INSURANCE FOR THE UNDER PRIVILEGED

Life insurance policies are typically unaffordable for low-income individuals. These include people with insufficient funds to support their families and old age, as well as those who are unable to earn enough due to illness or accident. For this, two alternatives are generally provided in life insurance which is:

a. Industrial Life Insurance

An industrial life insurance product is designed to meet the needs of workers in the industry. It can be issued without a medical examination and can also be used for low-income individuals and groups. The premiums can be collected by insurance agents on a weekly or monthly basis. Industrial life insurance is mainly used to provide financial support to meet the expenses of the insured. Since the amount of coverage is not much, it is not always possible to provide adequate family protection.

b. Group Term Insurance Scheme by Corporation

This type of renewable term insurance is designed to provide the dependents of deceased employees with a lump sum of money upon their death. It is issued through an employer's policy and the members are given certificates acknowledging their participation.

This scheme is for the permanent employees of companies. The amount of coverage that the employees receive is based on the understanding of both the corporation and the employer.

VARIOUS SOCIAL SECURITY SCHEMES LAUNCHED BY LIC

Life Insurance Corporation of India (LIC) is focused on providing financial cover to the insurable individuals in the country at a reasonable cost. This is done through the distribution of insurance policies in rural areas and the economically weaker sections.

LIC is dedicated to helping the economically weaker members of society. Through its various social security schemes, the company aims to provide them with the hope and security that they can finally achieve their goals.

The Life Insurance Corporation has been a major contributor to the development of the society by providing financial security to the weaker sections of the population. Social security is a part of various social sector programs such as education and health. The public expenditure on it is a measure of human progress.

Article 25 of the United Nations Declaration of the Human Right (1948) states that “everyone has the right to a standard of living adequate for the health and well being of himself and his family, including food, clothing, housing and medical care and necessary social services and the right to security in disability, widowhood or other lack of livelihood in circumstance beyond his control”

In India, social security is a part of the Constitution. In order to provide adequate security to its citizens, the State has to make use of its economic resources and develop effective policies. It also has to provide education and public assistance to the needy. Life insurance is a part of the states' obligation to the poor.

Through its pioneering approach, Life Insurance Corporation of India has been able to provide social security to the masses. It has been able to expand the reach of insurance to various classes of people. This strategy was carried out through the establishment of group insurance plans. In order to provide financial assistance to the non-conventional groups, such as co-operatives and voluntary organizations, the government launched various welfare schemes in 1988. In addition, efforts were made to provide insurance coverage to the unorganized labor. In 1988, a Social Security Fund was also established to help the weaker sections of society. The government and LIC deposited funds in the premia of various group insurance plans to provide subsidy to the weaker sections of society.

To promote the benefits of various social security schemes, LIC has launched a special drive during the month of October every year. This campaign aims to raise awareness about these benefits. Various events are also organized to spread the message, such as seminars and functions.

LIC through its Group Insurance Schemes provides for insurance cover to all the weaker sections of the society such as fishermen, beedi worker, plantation worker, agriculturists, urban and rural poor, auto rickshaw workers etc.

The following schemes have been devised by the central Govt. and implemented through LIC of India, with the objectives of providing economic security to weaker and vulnerable section of the society.

1. Social Security Group Insurance Scheme
2. Krishi Shramik Samajik Suraksha Yojana
3. Rural Group Life Insurance Scheme
4. Landless Agricultural Labourers Group Insurance Scheme.

5. Integrated Rural Development Programme
6. Swarna Jayanti Gram Swarozgar Yojana
7. National Agricultural Insurance Scheme
8. Janshree Bima Yojana
9. Shiksha Sahayog Yojana
10. Universal Health Insurance Schemes

Role of Insurance in Economic Development

The various activities that businesses undertake in an economy are expected to improve the welfare of the masses. This will also place them at a higher level of satisfaction. Unfortunately, despite the efforts being made by developing nations to speed up their development, over 525 million people still remain impoverished. To reduce the level of poverty, the government has to ensure that the various sectors of the economy are working at increasing productivity. This will help boost the generation of income and improve the employment opportunities for the people. Even though various economic sectors contribute to the development of a country, they do not grow in isolation. The experience of developing and developed economies has shown that the service sector is a vital part of the country's economy as it grows.

The prosperity of a country was measured based on its national income, which was established in ancient economic literature. Various variants of gross domestic product or net domestic products can be used to calculate the national income. The concept of economic development refers to the sustained increase in the per capita gross domestic product over a period of time. Usually, the growth in the GDP at constant prices is used to evaluate the pace of development. However, these writing did not take into account the various changes that occurred within the productive system. For instance, the institutional and structural changes that occurred within the framework of the economy. Various issues, such as joblessness and poverty, were expected to be taken care of through the growth of GDP. It was believed that this would automatically distribute to the masses.

Contemporary writing on this subject questioned the concept of economic growth due to how it failed to reflect on the changes that occurred in the lives of individuals and nations. The various qualities that can be measured by indices include changes in the institutional and technological structure of production, the reduction in poverty, the increase

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in the level of education, and the improvement in health. In addition, the indices that are focused on improving the quality of life for individuals can also be used to measure these changes.

The goal of economic development is to incorporate the sustained increase in the gross domestic product per capita as well as the improvement in the living standards of the people. Economists differentiate the concept of growth from development. The latter refers to the rise in the country's national income and the changes in its economic institutions.

While investigating the link between insurance and economic development, the section has focused on the latter, which implies that sustained growth is expected for the country's GDP. Qualitative concepts were not taken into account except in certain areas, where they can be easily quantified.

The growth of GDP is a function of host of factors, both economic and non-economic in nature, which directly or indirectly contribute to it. From an economic angle, these factors could be grouped into the following four categories:

* Human resources (labour, education, discipline, motivation etc.)
* National resources (land, minerals, fuels, climate etc.)
* Capital resources (machines, factories, road etc.)
* Technological resources (sciences, engineering, management, enterprise etc.)

One of the most important factors contributing to the process of economic development particularly in developing or underdeveloped economies is the capital formation. The relationship between capital formation and insurance services in both developed and developing economies of the world has been quite prominent and noteworthy.

Capital Formation and Insurance

The increase in the country's capital stock is often referred to as a capital formation. It can be defined as the acquisition of various equipment and resources, such as plants, machinery, tools, and factories, which are essential for the production of semi-finished products and other types of goods and services. In economic literature, it is regarded as a means of improving the efficiency of the economy and increasing the productivity of the workforce. The growth of the economy depends on the ability of the capital to increase both the total output and the productivity of the workforce. In order to sustain its growth, the

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government has to ensure that the capital stock is grown at a steady pace to replace the old stocks.

The process of capital formation envisages three essentials.

These are:

a. Real savings.

b. Mobilization and channelising of saving through financial and non financial intermediaries to be placed at the disposal of investors

c. The act of investment.

The contribution of insurance in the process of capital formation appears at all these stages. Insurance service act as a tool to mobilize saving, function as financial intermediary and at time, though rarely, also indulge in direct investment.

INSURANCE AS A FINANCIAL INTERMEDIARY

One of the crucial steps in the process of establishing capital is the mobilization of funds. This process involves the placement of these assets at the disposal of financial intermediaries. While the act of saving is carried out by a large group of units all across the nation, the investment function is handled by different entities that are also scattered. Through the efforts of financial intermediaries, domestic investment can be channelized into productive sectors. These individuals have the necessary knowledge and experience to place the savings of their clients into the most efficient investment channels. This helps improve the country's economic efficiency and productivity. As financial intermediaries, insurance companies play an important role in the economy. They help to lower the country's capital-output ratio. Harold D. Skipper has pointed out that insurers promote financial system efficiency in the following three ways:

1. Reduction in Transaction Cost

Large numbers of policyholders are typically collected by insurance companies, which have huge funds at their fingertips. These funds are then invested in various projects across the country. Although direct investing and lending are typically the activities of the policyholder, these investments can be very time consuming and require a lot of work. Insurers can help reduce the transaction costs by making investments and lending more efficiently.

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2. Creating Liquidity

The funds collected by the insurer are being utilized for loans and projects. The funds are not part of the premium that the policyholders have paid. In the event of loss, the insurers immediately pay the required amount to the policyholders. Since the funds are not delayed in receipt of the claim, they are very liquid. The borrowers of these funds are not required to pay back the loans immediately. If they start directly lending their funds, they might end up locking their assets in long-term securities. As pointed out by Skipper, "Insurers, thereby reduce illiquidity inherent in direct lending."

3. Facilitating Economies of Scale in Investment

As financial intermediaries, insurers are well-positioned to participate in large projects that require significant investment. Large funds are collected by insurance companies from their customers, which they can use to invest in various projects, such as railways, power projects, and national road projects. These projects can create economies of scale and facilitate technological advancements, which can lead to higher productivity and economic efficiency.

LIFE INSURANCE DENSITY

The concept of insurance density refers to the per capita expenditure on premiums. It is related to the country's per capita gross domestic product income. The lower the GDP, the lower the insurance density. This is because the lower the GDP, the lower the insurance density. The insurance density is computed by taking into account the premiums paid by different countries. The table below shows the life insurance density of various countries. There are notable differences between the countries that were adopted for the study. For instance, Nigeria has the lowest life insurance density, while Japan has the highest.

EMERGING NEEDS IN INDIA

Life insurance companies must remain focused on their social responsibilities and not lose sight of their social relevance. They have to constantly monitor the changes in the markets and the demographics of the population. It is the responsibility of the life insurance companies to cater to the changing needs of the families. Due to the emergence of new family models, such as single parenting, live-in relationships, and double income, the product design has to be geared toward the changing family dynamics.

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With globalization and the liberalization of trade, labor laws are expected to be brought in line with those of other advanced economies. This will create an environment wherein an earning family member may face involuntary unemployment. A life insurance policy can help prevent this type of situation from happening.

Due to the declining birth rate and mortality rate, the number of people getting older is expected to increase in India. This will lead to the establishment of a huge pension market.

The rise of terrorism and the increasing number of accidents and disasters are some of the factors that are impacting the country's population. It is therefore important that the insurance industry addresses these issues.

The improvement of the country's infrastructure and the employment opportunities it provides are some of the factors that can help improve the quality of life for its citizens. The investment in these projects can also create a favorable image for the country and help build a stronger public image.

In addition to being involved in the development of technology, life insurance companies also have to play a vital role in addressing the needs of the society by providing effective and efficient services to their customers. Besides this, they have to develop their employees to interact with their associates at large. Some of the areas where the company can make a positive impact are poverty alleviation programs and schemes.

It is the responsibility of life insurance companies to integrate themselves with the society by providing their customers with the necessary peace of mind. They can also build up the members' economic confidence by providing them with the necessary financial contingencies. This can be done through the establishment of a conducive environment and the use of financial instruments.

The corporation's social projects include providing various services such as housing, water supply, rural electrification, and agricultural and urban sewerage. It also engages in the promotion of the welfare of the common man through investments in government securities, transportation and communication, and other corporate activities.

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