

THE INVESTMENT BLUEPRINT OF LIC OF INDIA: A STUDY IN FINANCIAL PRUDENCE

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ABSTRACT

This research paper investigates the investment pattern of India's Life Insurance Corporation (LIC), focusing on the tactics and outcomes of its investment decisions. The study dives into LIC's diverse portfolio, which includes government securities, equities, corporate bonds, and real estate, demonstrating how diversity reduces risk and assures consistent returns. LIC's conservative investment strategy, which prioritizes safety and long-term growth, places a strong emphasis on government securities and highly rated corporate bonds. The report emphasizes the significant impact of LIC's investments on the Indian economy, notably its backing for government bonds and infrastructure projects that promote national development and financial stability. Regulatory compliance with the Insurance Regulatory and Development Authority of India (IRDAI) criteria promotes transparency and trust in the LIC's investment operations. The study also highlights LIC's constant record in providing sufficient returns to policyholders, highlighting its good portfolio management and the balance it strikes between high-yield and stable investments. Looking ahead, the report predicts that LIC will maintain its cautious investment strategy while looking for new opportunities in emerging areas, with a focus on adjusting to changing market conditions and regulatory environments. Overall, the research paper believes that LIC's investment strategy is well-balanced and risk-averse, with the goal of long-term financial security and significant contributions to India's economic development, strengthening its reputation as a stable and dependable financial organization.

KEYWORDS: Portfolio, Securities, Equities, Real Estate, Corporate Bonds.

Introduction

The Life Insurance Corporation of India (LIC) was formed on September 1, 1956, following the adoption of the Life Insurance of India Act by the Indian Parliament. This act nationalized India's life insurance business, combining 245 private life insurers and provident societies into a single state-owned corporation to meet the need for expanded insurance coverage and to protect policyholder interests. Since its founding, LIC has played a critical role in expanding life insurance coverage throughout India, particularly in rural and isolated areas. The firm has also made major investments in the Indian economy, diverting capital into sectors such as infrastructure, housing, and healthcare, so contributing to national growth. Over the decades, LIC has evolved to become India's largest life insurer, noted for its solid financial stability, diverse policy line, and broad network of agents and offices. It maintains its aim of providing affordable life insurance and promoting economic development, maintaining a reliable and vital element of India's financial landscape.

The Life Insurance Corporation of India (LIC) is India's leading state-owned insurance and investment organization. Its investment strategy is characterized by a balanced and diverse approach that seeks to maximize profits while protecting the protection of policyholder assets. LIC's investment portfolio typically consists of government securities, corporate bonds, equities, and real estate. A considerable amount is invested in government assets and bonds to assure stability and dependable

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returns. The corporation also invests in equity markets to capitalise on growth possibilities and increase returns. Furthermore, LIC makes strategic investments in infrastructure projects and socially significant industries to help achieve national development goals. This diverse portfolio enables LIC to retain financial soundness while meeting its long-term promises to policyholders. This paper aims to reflect the investment pattern of LIC in various areas for the study period of ten years.

Research Problem

The research problem for conducting this study is to analyze the investment pattern of the only public sector giant life insurance company that is LIC of India for a decade starting from 2013-2023.

Objective of the Study

The main objectives of conducting this study are mentioned as below:

- To analyze the investment pattern of the LIC in loans, securities and other money market instruments.
- To examine LIC's investment in infrastructure and social sector.
- To study the growth pattern of LIC investment pattern for the study period.

Review of Literature

The examination of this literature suggests focusing on an undiscovered area and making the current work stand out from others. The existing literature is provided as follows:

Vijayalakshmi, P., & Ramasamy, S. (2018). The current study focused on the investing strategy followed by the Life Insurance Corporation. The study based on secondary data. The study period runs from 1990-1991 to 2016-17. The data is analyzed using statistical tools such as trend analysis, annual average growth rate (AAGR), and compound annual growth rate (CAGR). The findings of the study are that Life insurance firms invest in assets to mitigate their risks. Efficient investment decisions assist insurance companies protect their capital and reduce risk by spreading their interests in various securities. The Life Insurance Corporation of India properly manages investments in accordance with the IRDA's guidelines.

Shieh, H. S., Hu, J. L., & Ang, Y. Z. (2020). The study uses metafrontier and four-stage data envelopment analysis (DEA) to assess the overall and individual efficiency of life insurance companies in mainland China and Taiwan, followed by the slack-based measure (SBM)-DEA model to adjust for differences in the operating environment across production units. The empirical findings indicate that environmental considerations greatly impacted the efficiency of all life insurance firms and before 2008, Taiwan's life insurance companies were more efficient than those in mainland China.

Ray, S., Thakur, V., & Bandyopadhyay, K. (2020). In this study there is an attempt to examine the Indian insurance industry and trace its evolution and growth. The researcher also outlines the sector's significant difficulties. According to the research, some of the issues facing the sector include low penetration and density rates, insufficient investment in insurance products, the dominant position of public sector insurers, and their worsening financial condition. Because India's economic growth is dependent on its ability to absorb shocks, overcoming these difficulties is critical to creating a strong insurance sector.

Pattnaik et al., (2021). This study proposes a paradigm to solve the decision-making dilemma. In this model, a fuzzy multi-criteria decision-making strategy is paired with a technique for order preference by similarity to ideal solution (TOPSIS) and used to rank the various insurance firms based on their online term plans. The testing results suggest that the Life Insurance Corporation of India (LIC) ranks first out of 12 businesses for purchasing an online term plan. A sensitivity analysis was conducted to validate the suggested model.

Murthy, C. V., & Kumar, G. R. (2023). This report addresses current industry developments and issues. The analysis focuses solely on the life insurance business, with little emphasis on other industries. The suggestions and recommendations will assist academics and industry professionals in rethinking their perspectives on the insurance sector.

Research Methodology

This exploratory study uses secondary data from the annual report of LIC. The study period spans from 2013-2023. Statistical tools such as trend analysis, AAGR, and CAGR are used to analyze data.

Results and Findings

• Analysis of LIC'S Investment in Loans, Securities and other money market instruments

LIC makes major investment in loans (including policy loans and mortgage loans), securities etc, and money market instruments. The below analysis is done on the same for the study period of 2013-14 to 2022-23.

Table 1: Analysis of LIC'S Investment in Loans, Securities and other Money Market Instruments

Year	Securities (₹ in cr)	Loans (₹ in cr)	Others (₹ in cr)	Total (₹ in cr)
2013-14	1501914.23(89%)	100449.59(6%)	82326.68(5%)	1684690.5(100)
2014-15	1776939.02(92%)	106106.60(5%)	63203.70(3%)	1946249.32(100)
2015-16	1962173.56(93%)	107712.64(5.1%)	39367.14(1.9%)	2109253.34(100)
2016-17	2318952.07(93.79%)	109174.16(4.42%)	44262.59(1.79%)	2472388.82(100)
2017-18	2602947.40(95.11%)	112392.61(4.11%)	21422.35(0.78%)	2736762.36(100)
2018-19	2832128.95(94.90%)	117352.93(3.93%)	34849.37(1.17%)	2984331.25(100)
2019-20	2928727.30(95.40%)	120369.51(3.92%)	20844.85(0.68%)	3069914.67(100)
2020-21	3522547.08(95.82%)	120396.39(3.28%)	33226.84(0.90%)	3676170.31(100)
2021-22	3916087.32(95.87%)	121119.21(2.96%)	47620.31(1.17%)	4084826.84(100)
2022-23	4229691.12(96.19%)	124748.56(2.84%)	42764.91(0.97%)	4397204.59(100)

Source: Annual Report of LIC and IRDA, LIC Diaries

Table 2 : Analysis of Growth of Investment of LIC in Loans, Securities and Others

Year	Amount (₹ in Cr)	% Growth	Index
2013-14	1684690.5	-	100
2014-15	1946249.32	15.52	116
2015-16	2109253.34	8.37	125
2016-17	2472388.82	17.21	147
2017-18	2736762.36	10.69	162
2018-19	2984331.25	9.04	177
2019-20	3069914.67	2.87	182
2020-21	3676170.31	19.75	218
2021-22	4084826.84	11.12	242
2022-23	4397204.59	7.65	261
ACGR		11.35778	

Source: Annual Report of LIC and IRDA, LIC Diaries

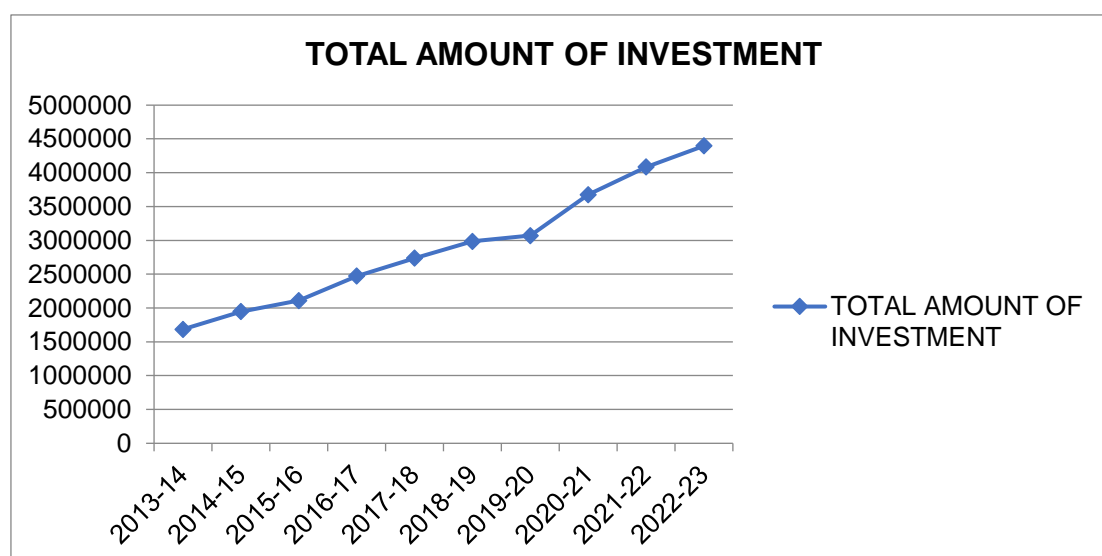


Figure: Analysis of Total Amount of Investment of LIC in Loans, Securities and Others

The above tables and graph clearly show the total amount invested by the LIC in securities, loans, and other money market instruments. The study spans ten years, from 2013-14 to 2022-23. LIC investment increased from ₹1684690.5cr to ₹4397204.59cr over the study period, as seen in the table above. Simply said, the overall amount of investment has nearly doubled in this decade. However, if the researcher focuses on the percentage of growth in the amount of investment, it is noted that the actual growth of investment amount fluctuates, as it can be seen that in the year 2014-15, the percentage growth was 15.52%, but in the last year of the study period, it was only 7.65%. The most recent Annual Compound Growth Rate (ACGR) calculation shows that growth was over ACGR for just four years of the study period, while growth was below ACGR for the remaining five. So the general debate was LIC is definitely expanding its quantity of investment in all these areas over the period of study, and a big percentage of investment is done in securities about 95% then after loans and others. Furthermore, these investments create significant returns, allowing LIC to provide competitive incentives and benefits on its insurance contracts. LIC's sensible and strategic investment approach improves the overall value and reliability of the products it offers to its consumers.

• **Analysis of LIC'S Investment in Social and Infrastructure Sectors**

The investment by LIC during the study period in loans/debentures/equities in various entities for infrastructure and social purpose like:

- Power
- Housing
 - Loans to state Government for housing schemes
 - Loans to apex cooperative housing finance societies and others
 - Debentures, Bonds etc to housing finance companies
- Irrigation/water supply sewerage schemes
- Roads, Bridges/SRTC
- Other infrastructure

The data that was analyzed below explains the same for the period of study.

Table 3: Analysis of Investment in Social and Infrastructure Sectors

Year	Power (₹ in cr)	Housing (₹ in cr)	Others (₹ in cr)	Total (₹ in cr)
2013-14	14203.84(63.4%)	4455.74(20%)	3708.15(16.6%)	22370.99(100)
2014-15	15840(45%)	7425.52(22%)	11592.29(33%)	34857.81(100)
2015-16	2222.80(9.43%)	10031.61(42.57%)	11310.01(48%)	23564.42(100)
2016-17	298.55(1.42%)	6414.37(30.56%)	14274.47(68.02%)	20987.39(100)
2017-18	14133.71(34.12%)	5304.03(12.8%)	21980.61(53.08%)	41418.35(100)
2018-19	4534.21(22.01)	6350.00(30.83%)	9712.72(47.16%)	20596.93(100)
2019-20	24803.21(47.43%)	9241.30(17.67%)	18253.28(34.90%)	52297.79(100)
2020-21	11380.40(43.24%)	3669.72(13.94%)	11272.78(42.82%)	26322.90(100)
2021-22	6980.45(23.56%)	11118.83(37.51%)	11539.38(38.93%)	29638.86(100)
2022-23	5580.63(12.76%)	31855.00(72.84%)	6296.51(14.40%)	43732.14(100)

Source: Annual Report of LIC and IRDA, LIC Diaries

Table 4: Analysis of growth of Investment in Social and Infrastructure Sectors

Year	Amount (₹ in Cr)	% Growth	Index
2013-14	22370.99	-	100
2014-15	34857.81	55.81	156
2015-16	23564.42	-32.40	105
2016-17	20987.39	-10.94	94
2017-18	41418.35	97.35	185
2018-19	20596.93	-50.27	92
2019-20	52297.79	153.91	234
2020-21	26322.90	-49.67	118
2021-22	29638.86	12.60	132
2022-23	43732.14	47.55	195
ACGR		24.8822	

Source: Annual Report of LIC and IRDA, LIC Diaries

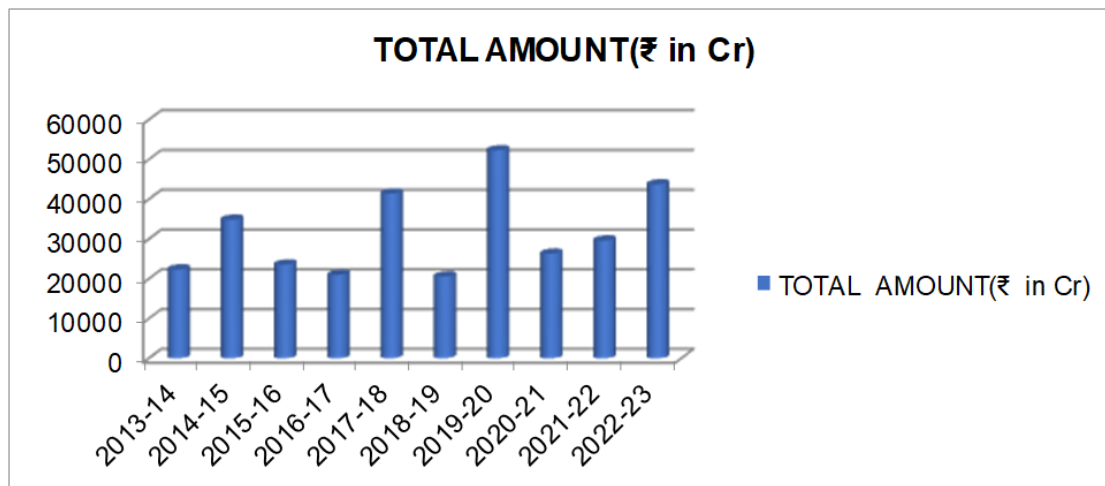


Figure: Analysis of Total Amount of Investment in Social and Infrastructure Sectors

The two tables above, as well as the graph, reflect LIC's direct or indirect investment in infrastructure and social areas over the study period. The table and graph show that LIC investment in various areas fluctuated over the study period. The final year of the research period, 2022-23, saw the largest overall investment in these industries, amounting to ₹ 43732.14 cr. In 2018-19, the lowest amount of investment was recorded at ₹20596.93 crore. The estimated percentage of growth shows that the largest percentage of increase was in 2019-20, at 153%, compared to the previous year, while the lowest percentage of growth was in 2018-19, at -50.27%. The ACGR calculated above is 24.882, with the growth rate above ACGR for four of the study's five years and falling below ACGR for the remaining five. The data clearly shows that LIC investment in these areas fluctuates and is almost non-existent in the irrigation sector in later years of the study period. LIC of India's wide investment portfolio provides numerous benefits to its consumers. By investing in a variety of areas including as government securities, infrastructure, real estate, and equity markets, LIC supports the stability and growth of policyholder funds. This diversity reduces risks associated with market volatility, resulting in a more robust financial basis.

Conclusion

The study on the investment pattern of India's Life Insurance Corporation (LIC) reveals that LIC maintains a diversified investment portfolio across various sectors, including government securities, equities, corporate bonds, and real estate, which helps mitigate risks and ensures stable returns. LIC employs a conservative investing approach that stresses safety and long-term growth, as evidenced by its emphasis on government securities and high-rated corporate bonds, indicating a significant emphasis on risk mitigation. LIC's investment decisions have a huge impact on the Indian economy, supporting national development and financial stability by investing heavily in government bonds and infrastructure projects. Adherence to regulatory norms established by the Insurance Regulatory and Development Authority of India (IRDAI) fosters openness and trust in LIC investment activities. The organization has continuously provided sufficient returns to policyholders, exhibiting effective portfolio management and a balance of high-yield and secure investments that support its financial soundness. Looking ahead, LIC is likely to maintain its conservative investment strategy while seeking new opportunities in emerging sectors, with adaptation to changing market conditions and regulatory environments critical for long-term success. To summarize, LIC's investment strategy is well-balanced and risk-averse, with the goal of assuring long-term financial stability and contributing to India's economic progress, thereby strengthening its reputation as a dependable and stable financial organization.

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