
CHAPTER V.

FINDINGS AND SUGGESTIONS

5.1 Findings

5.2 Suggestions

5.1 FINDINGS :

On the basis of the data collected and analysed in foregoing pages and personal discussion with the official staff of the Divisional Office of LIC, Satara the researcher arrives at certain findings of the study. These are as under -

(1) It is found that in the first decade of LIC the accent was on purchase of equity shares. But afterwards there has been countinuous decline in the purchase of equity shares of companies. In case of preference shares there is not any remarkable change.

(2) It is also found that in the first and second decade there is not notable change in purchase of debentures of companies. But in the last decade of operation of LIC especially during the last five years period, 1981-82 to 1985-86, the accent of LIC was on purchase of debentrues. According to the data available it shows that debentures hold 84.8% in the total corporate securities purchased by LIC. This is because Corporation wants stable earning source without any risk.

(3) It is found that the percentage of corporate securities with Life Fund has been declining. It was 13.7 in the year 1956, it reduced upto 5.5 in the year 1985-86.

(4) It is found that the percentage of corporate securities with total investment is also declining.

(5) It is also found that the percentage of corporate securities with total assets is also declining.

(6) It is found that after the establishment of UTI in the year 1963-64, there has been adverse change in the purchase of corporate securities by LIC. In the year 1981 the share of LIC was 54.9% and the UTI 45% in corporate securities. But afterwards it is found that in the year 1985-86 this percentage became completely adverse of the percentage of the year 1981 because in the year 1985-86 the share of LIC was 30.9% and UTI 61.1%.

(7) It is also found that the Corporation has now assumed the role of a lender-cum-investor. It is observed from the table 4.9 that there has been a pronounced increase in the amount of loans sanctioned by the Corporation. It increased up in 1981-82 again. It declined by Rs. 38.96 crores in the year 1982-83. Again there is increasing trend upto 1985-86. Researcher found that the percentage of Direct Lending with Life Fund and total investment is declining due to Life Insurance Corporation's policy decision.

(8) LIC purchased the shares and bonds of other industrial financing institutions. A researcher found that there is developing change in the purchase of shares and bonds of other financial institutions e.g. IFC, IDBI and SFC. The indirect financing in shares and bonds of these institutions in the year 1981-82 was Rs. 280.91 crores only it increased upto Rs. 612.42 crores in the year 1985-86. It shows that there is a remarkable change in the purchase of shares and bonds of other financial institutions because of Corporation wants stable and more returns on investment.

(9) It is observed from table 4.13 that the percentage of total holding of shares and bonds of other financial institutions to total assets was 3.48 in the year 1981-82. It increased upto 4.66% in the year 1985-86. In case of percentage to total investment it is clear that the percentage in the year 1981-82 was 3.75 and it increased upto 4.99 . It is observed from the above information that there is developing trend in the subscription of shares and bonds of financial institutions.

(10) It is found that the industry-wise distribution of LIC's assistance discloses that Engineering, Electrical goods and Textile industries received 75% of the total finance and dyes, chemicals and pharmaceuticals industries received 11% of the total finance. A researcher found that the traditional industries like iron and steel, paper and cement etc. received less than 9% of the total finance. It is clear on the information that recently LIC is giving preference to the newly established industries.

(11) A researcher found from the table 4.7 that four-fifth of the Corporation's assistance has been received by seven industrially advanced States. viz. Maharashtra, Gujarat Tamil Nadu, West Bengal, Karnataka, Bihar and Delhi. Among them Maharashtra occupies top position having more than 75% of the total assistance.

(12) A researcher found that the Bigger States like Madhya Pradesh, Rajasthan, Uttar Pradesh, Andhra Pradesh remained contented with awfully small shares of the Life Insurance Corporation's assistance.

(13) It is also found that there has been a high degree of concentration of LIC's investment in big business houses. From the table 4.08 it is clear that the big business groups have 70% of total assistance of LIC and Big Business groups with MRTTP companies have 91% investment in preference shares and debentures of the LIC's total investment in joint stock companies. So that a researcher found that there is a big degree of concentration of LIC's investment in Big Business Houses.

(14) A researcher found that LIC is playing pivotal role in the underwriting activities in new issue market. It is found that the amount underwritten in new issue market in the year 1980 was Rs. 79 crores only, it increased upto Rs. 226 crores in the year 1985-86. It shows that LIC's activities in new issue market are in developing trends.

(15) It is found that LIC has second position in the underwriting business, in comparison with other underwriter e.g. UTI, IFCI, ICICI etc. In these institutions UTI has 60% in underwriting business with first position and LIC has 29% in underwriting business with second position because the amendment has been made in the LIC Act. " According to LIC Act 1938, amendment to Section 27A, LIC is required to largely contribute to the financing of socially oriented sector and government securities. Another new element in the investment policy of LIC is substantial direct lending to industry and subscriptions to the shares and bonds of specialised financial institutions.

5.2 SUGGESTIONS:

On the basis of the above findings, a researcher would like to make the following suggestions.

1. The investment in the corporate securities has been declining in the last five years of the study, therefore LIC should make certain changes in the investment policy to invest funds in corporate securities.

2. It is necessary that LIC should invest more funds in the securities of special financial institutions. If LIC provides adequate funds to the other financial institutions it will be possible to satisfy the growing requirements of industrial enterprises.

3. From the above findings it is clear that LIC finances maximum to the new industries and the proportion of finance to the basic industries is reducing. So that the Life Insurance Corporation should finance more to the basic industries to fulfil the requirements of the other industries.

4. It is found that LIC financed to industrially advanced seven states e.g. Maharashtra, Gujarat, Tamil Nadu etc. But some big states like Rajasthan, Madhya Pradesh, Uttar Pradesh Andhra Pradesh received very less amount. Therefore, Life Insurance Corporation should provide finance to industrially underdeveloped states.

5. Indian Government accepted the policy of socialism. In this case it is necessary to develop all types of industries. But LIC is providing assistance to those industries which are

governed by big business houses. Therefore, LIC should reduce this concentration in big business groups and provide industrial finance to other small scale industries adequately.

(6) Life Insurance Corporation of India should pay more attention to the new issue market activities.

(7) LIC is providing only long term finance to various industries. But the developing purpose industries require working capital also. So that LIC should provide finance to the industries for working capital also.

(8) It can be suggested that Divisional Office should get the right of sanctioning industrial finance to industries because it is difficult for a businessman to approach the Chairman of the investment committee in head office at Bombay.

(9) The maximum part of LIC's fund is dominated by the finance of socially oriented sector. But industrial development is also equally important. Therefore, Life Insurance Corporation should give due consideration in financing industrial sector also.