

CHAPTER IV

ANALYSIS OF INVESTMENTS OF LIC

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CHAPTER IV

ANALYSIS OF INVESTMENTS OF LIC

4.1 INTRODUCTION

Life Insurance Corporation has made investments in various types of securities. LIC purchases Central Government Securities, State Government Securities and any other approved securities like Municipal Securities. Each of these investments is discussed below.

[1] Investment in Central Government Securities

Analysis of investments begins from Government Securities, not only because these constitute about Rs. 4,003.13 crores in 1986 forming 58.22 percent of the total investments, but also it is the primary standard in terms of which the investment qualities of alternative investments can be judged.

Since the funds occurring to Life Insurance Corporation in the form of premium - income represents the life time savings of millions of policy holders, it is of utmost importance that large proportion of such funds should be invested in assets which are safe and can be sold with little or no loss of capital.

Characteristics of Securities :- The securities issued by the Government of India, have distinct features as regards the maturity pattern, interest rates, market ability and tax features.

In addition to the final contractual maturity provisions on all Government Securities provide for retirement prior to final maturity at the options of the treasury.

The interest rates on Government Securities are determined by the prevailing yields at the time of offering. The new offerings are usually made at par, except those few issued, which are offered on a discount basis.

The marketability features on outstanding issues differ widely, money issued is fully marketable, i.e. they may be purchased by all types of investors, but contains restriction on their transferability. In this regard it is also noted that the income on all Indian Government Securities offered is subjected both to the normal federal income-tax and sur-tax.

[2] State Government Securities

The second important component of the Government Securities held by LIC is the securities issued by the State Governments. Just as the Central Government issues various securities and loans for the purposes of raising funds from the

public, State Governments too are authorised to raise funds through public borrowings and issue of securities. These securities have been a significant form of investment during the years.

The Government Securities are in many forms. These are (a) Stock certificate or inscribed stock, (b) Promisory notes and (c) Bearer bonds which are now discounted. States have become largely long term borrowers and they offer securities of varying maturity and yield. In certain cases the yield of State Government Securities is much higher than the Central Government Securities. The State Government Securities also have some basic characteristic features like :

- [1] Issuing authority
- [2] Government Securities and stock market
- [3] Government Securities and Commercial Banks
- [4] Issue price
- [5] Rate of interest
- [6] Tax exemption
- [7] Financial institution

In this chapter an attempt is made to study the various types of investments of Government Securities, i.e. classification of various types of investments of LIC like composition of securities of Central Government, comparison of Government Securities with total assets, zone wise distribution, distribution of Central Government and State Government, State wise distribution of securities, etc., which are shown in following tables.

TABLE 1**COMPOSITION OF TOTAL ASSETS IN CENTRAL & STATE GOVT. SECURITIES**

Rs : Crores

NO.	YEAR	GOVT. SECURITIES	% TO TOTAL
1	1981-82	3,605.64	48.60
2	1982-83	4,130.47	49.96
3	1983-84	4,694.17	97.12
4	1984-85	5,301.47	57.55
5	1985-86	6,012.81	52.25
6	1986-87	6,843.24	52.27
7	1987-88	7,863.80	51.92
8	1988-89	9,200.72	51.45

SOURCE : Accounts & Reports of LIC.

Table 1 above shows total investment in Government Securities and its percentage to total investment. In 1982, the total assets of LIC were Rs. 8,067.93 crores, out of which the investment in Government Securities was Rs. 3,605.64 crores constituting 48.60 percent of the total assets. In 1986, the amount invested in Government Securities was 6,012.81 crores, constituting about 52 percent of the total assets. The percentage increased to 52.27 in 1986 - 87 which dipped slightly to 51.5 percent in 1988-89. So, it is clear that LIC has invested in Government Securities on an average of 50 percent of the total assets during the period of study.

4.2 COUNTRYWISE DISTRIBUTION OF GOVERNMENT SECURITIES

LIC also invests its funds in Government Securities of other countries. Its countrywise distribution of Government Securities is depicted in Table 2.

The Life Insurance Corporation of India has invested in Government Securities of the above countries. The policy of investing of funds in other countries is governed by the Central Government. While making a decision the Central Government takes various points into consideration. It is clear that lot of funds are invested in United Kingdom i.e. Rs. 2,540.64 lakhs in 1982 and it rose to Rs. 3,903.59 lakhs. The amount of investment in U.K. reached to Rs. 7,005.60 lakhs in 1988 -89 and in this year Mauritius ranked the second, followed by Fiji and Burma ranked fourth. So, it is clear that LIC's investment in the Government Securities is spread over the major important countries in the world.

4.3 CLASSIFICATION OF SECURITIES

After studying the classification of the Government Securities in various countries, the classification of various types of securities in general is discussed below. Generally, there are three types of securities in which LIC invests its funds. These are (1) Securities of Central Government, (2) Securities of State Governments and (3) Any other approved securities.

TABLE 2

COUNTRYWISE DISTRIBUTION OF GOVERNMENT SECURITIES

		(Rs. in lakhs)								
NO.	NAME OF COUNTRY	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	
1	Burma	88.30	95.72	98.68	115.75	125.40	149.88	163.24	171.40	
2	Fiji	678.14	758.51	732.15	682.95	779.46	1,062.40	971.49	1,523.53	
3	Kenya	12.75	11.55	11.85	-	-	-	-	-	70
4	Mauritius	188.41	183.06	174.87	145.79	180.87	340.48	408.38	397.95	70
5	Sri Lanka	4.05	3.96	-	-	2.19	2.19	2.09	2.14	70
6	Uganda	8.09	6.37	1.97	0.62	0.31	0.11	0.03	-	70
7	United Kingdom	2,540.64	2,396.99	2,870.58	3,195.25	3,903.59	5,016.54	6,300.50	7,005.63	
8	Hong Kong	1.21	1.07	1.13	1.12	1.32	1.51	0.59	0.96	
9	Malaysia	-	-	-	-	-	-	-	-	

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

TABLE 3

COMPOSITION OF VARIOUS TYPES OF SECURITIES

(Rs. in crores)

NO.	YEAR	CENTRAL	STATE	APPROVED
1	1981 - 82	2,010.95	455.66	1,139.00
2	1982 - 83	2,450.04	436.04	1,244.37
3	1983 - 84	2,966.77	371.31	1,356.08
4	1984 - 85	3,446.58	313.75	1,541.71
5	1985 - 86	4,003.12	363.51	1,646.17
6	1986 - 87	4,675.69	416.29	1,751.26
7	1987 - 88	5,790.69	346.92	1,726.19
8	1988 - 89	6,827.19	544.01	1,829.51

SOURCE : Accounts and Reports of LIC 1981-82 to 1988-89

The data in the above Table reveals the following :

(1) Central Government Securities :- Amongst all the securities Central Govt. securities received the highest place throughout the period under the study. It increased from Rs. 2,010.95 crores in 1981 - 82, to Rs. 6,827.19 crores in 1988 - 89 i.e. three times the investment of 1982.

(2) State Government Securities :- It is one of the important types of securities in which LIC has invested its funds. In 1982, the investment in the State Government Securities amounted

to Rs. 455.66 crores, which reached to Rs. 363.51 crores at the end of 1986. No doubt, there was a decline in this investment in 1986, but it started increasing gradually, except in 1987 - 88, and reached Rs. 544.01 crores at the end of 1988 - 89.

(3) Approved Securities :- These securities stand second in the three types of securities, in all the years under the study. In 1982, the amount invested was Rs. 1139 crores which steadily increased, except in the year 1987 - 88, to Rs. 1,829.51 crores at the end of 1988 - 89.

4.4 SECTORWISE DISTRIBUTION OF INVESTMENTS OF GOVERNMENT SECURITIES

After considering the nature of securities, in which LIC has invested its funds, the sectorwise distribution of investment of Govt. Securities is studied in this sub-section. Table 4 below, shows the details of investment in Govt. Securities in three sectors of economy.

The Table reveals the following points,

- (a) LIC has invested in Government Securities of public sector only.
- (b) The amount invested in the public sector in 1981-82 was Rs. 4,55.60 crores which declined steadily to Rs. 363.51 crores in 1985 -86.

TABLE 4**SECTORWISE DISTRIBUTION OF INVESTMENT OF GOVT. SECURITIES**

(Rs. in crores)

NO.	YEAR	PUBLIC SECTOR	CO-OP. SECTOR	PVT. SECTOR
1	1981 - 82	455.66	-	-
2	1982 - 83	436.04	-	-
3	1983 - 84	371.31	-	-
4	1984 - 85	313.75	-	-
5	1985 - 86	303.51	-	-

SOURCE : Reports and Accounts of LIC, 1981-82 to 1985-86.

(c) The policy of investment in public sector Govt. Securities is not however, fixed but it is flexible as observed from the data.

4.5 INVESTMENT IN STATE GOVERNMENT SECURITIES

This is the second most important component of the Govt. Securities held by LIC. Just as the Central Govt. issues various securities and loans for the purpose of raising funds from the public, the State Governments too are authorised to raise funds through public borrowings and issue of securities. Accordingly LIC invests in these respect. The details of which are shown in Table 5.

TABLE 5

COMPOSITION OF INVESTMENTS IN SECURITIES OF STATE GOVERNMENT

(Rs. in crores)

NO.	YEAR	AMOUNT	DIFFERENCE
1	1981 - 82	455.68	-
2	1982 - 83	436.04	-19.64
3	1983 - 84	371.31	-64.73
4	1984 - 85	313.75	-57.56
5	1985 - 86	363.51	+49.76
6	1986 - 87	416.29	+53.38
7	1987 - 88	346.92	-69.37
8	1988 - 89	544.01	+97.01

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

Table 5 above shows a handsome amount of Life funds which have been invested by LIC in State Govt. Securities. The data in this Table points out that there is no definite trend in the last eight years period. The securities increased from Rs. 455.68 crores in 1981-82 to Rs. 544.01 crores at the end of 1988-89. There was continuous decline from 1981-82 to 1984-85. In 1983-84 and 1987-88 again there was considerable decline of Rs. 64.73 crores and Rs. 69.37 crores respectively.

4.6 ZONEWISE DISTRIBUTION OF STOCK EXCHANGE SECURITIES
IN STATE GOVERNMENT

The investment trend of LIC in State Government Securities in various zones can be studied from the Table No. 6.

The data in the table reveals the following points.

- i) For effective work LIC has distributed its entire work into five major zones in India, namely central eastern, northern, southern and western.
- ii) From 1981-82 to 1988-89, in almost all zones the amount invested in stock exchange securities and State Govt. Securities declined every year.
- iii) It is also noticeable that investment in western zone is the least among all the zones. The inter-zonal differences may be attributed to non-availability of desired securities in respective zones.

4.7 STATEWISE DISTRIBUTION OF STATE GOVERNMENT SECURITIES

One of the major considerations in formulating public investment policy is the attainment of a balanced development in all states. All states in India have not attained the same level of economic development. Some of them like Maharashtra, Gujarat and Tamil Nadu are economically more advanced and have better organised investment markets than their counterpart states. There

TABLE 6

ZONEWISE DISTRIBUTION OF STOCK EXCHANGE AND STATE GOVERNMENT SECURITIES

		(Rs. in lakhs)									
NO.	NAME OF ZONE	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89		
1	Central Zone	9330.95	9231.76	7200.90	5678.29	6356.15	7971.49	5616.47	8688.95		
2	Eastern Zone	11129.34	11227.34	9950.44	9642.34	12433.38	14993.25	13561.59	19891.27		
3	Northern Zone	8043.63	8781.35	7630.63	6445.44	7446.09	7990.10	7634.57	10939.37		
4	Southern Zone	12074.55	10674.63	9241.71	7175.92	8657.45	9740.48	7460.66	13972.63		
5	Western Zone	4986.98	3689.27	2907.45	1933.55	1458.21	934.27	419.39	909.27		

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

are other states like Madhya Pradesh, Uttar Pradesh, Orissa and Rajasthan which are comparatively economically backward and deserve due consideration for development.

The development of backward states is however, at a snails pace. The Life Insurance Corporation plays useful and important part in providing finance to these areas for regional development. In order to meet the developmental expenses nearly all the State Governments have floated large loans. A part of these loans has been subscribed by LIC. It has been described elsewhere as to what provisions LIC's funds is invested in these securities as a whole. The distributional pattern of these loans to various states is shown in Table 7.

4.8 INVESTMENT IN CORPORATE SECURITIES

Corporate Securities form an important source of investment of Life Insurance funds. These occupy second position in the investment portfolio of LIC. The shares and debentures of business and industrial units are included in this category.

LIC inherited from its erstwhile insurance company, the investment in corporate securities. In 1982 the securities amounted to Rs. 360.36 crores which increased to Rs. 738.58 crores in 1986. LIC made investments in corporate securities with the help of purchasing debentures, preference shares and equity shares. The major portion was invested in debentures which amounted to

TABLE 7

STATEWISE DISTRIBUTION OF STOCK EXCHANGE SECURITIES

(Rs. in lakhs)

NO.	STATES	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1	Madhya Pradesh	1923.29	1631.17	1540.17	1553.76	1852.78	2132.32	2231.79	2781.49
2	Uttar Pradesh	7407.66	7600.59	5660.73	4124.53	4503.37	5840.17	3384.68	5907.46
3	Assam	1927.25	1903.81	1672.00	1357.00	1427.00	1525.92	1475.70	1871.46
4	Bihar	2804.37	3340.81	2900.51	2438.45	3134.49	3844.12	3656.55	5351.11
5	Manipur	334.84	361.84	387.60	456.64	556.64	631.55	756.42	1056.24
6	Meghalaya	190.12	290.12	255.72	178.00	203.00	215.97	190.97	190.97
7	Nagaland	590.19	728.19	754.19	671.64	771.64	878.52	978.38	1278.20
8	Orissa	2916.41	2544.01	1958.81	1892.46	2892.46	3941.22	3534.87	5242.72
9	Tripura	210.37	256.37	366.17	393.00	493.00	570.16	675.03	974.85
10	West Bengal	2155.79	1838.19	1655.14	2255.15	2955.15	3385.77	2293.67	3842.74
11	Haryana	2029.95	2285.11	1980.10	1751.20	2051.20	2271.19	2634.50	3421.26
12	Himachal Pradesh	106.25	106.12	125.68	110.26	135.26	244.17	469.04	768.86
13	Jammu & Kashmir	340.67	354.68	318.24	247.36	297.36	420.77	533.80	803.64

TABLE 7 CONTD.....

14	Punjab	1223.73	1128.83	769.41	691.67	741.69	591.15	906.54	1240.66
15	Rajasthan	4343.08	4903.68	4637.20	3644.55	4220.60	4462.52	3091.69	4740.95
16	Andhra Pradesh	4093.67	3637.56	3191.20	2698.12	3098.12	3611.09	1823.14	4213.66
17	Karnataka	2305.08	2073.31	1648.93	1602.47	1552.80	1955.96	1510.24	2785.65
18	Kerala	2065.25	1999.44	1788.19	1750.70	2400.70	2919.54	2833.98	4337.32
19	Pondicherry	-	-	-	-	-	-	-	-
20	Tamil Nadu	3610.55	2964.32	2613.39	1724.63	1606.63	1253.89	1293.30	2636.00
21	Goa	-	-	-	-	-	-	-	49.97
22	Gujarat	2488.83	1912.08	1959.37	900.95	670.61	466.89	203.68	403.74
23	Maharashtra	2498.15	1777.19	1348.08	932.60	787.60	469.38	215.71	455.54
24	Arunachal Pradesh	-	-	-	-	-	-	-	32.98
25	Sikkim	-	-	-	-	-	-	-	50.00
26	Delhi	-	-	-	-	-	-	-	-

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

Rs. 102,85.75 lakhs in 1982 and in 1986 the debentures purchased to the extent of Rs. 333,31.75 lakhs i.e. in 1986 the total investments in corporate securities was Rs. 738.36 crores, out of which more than 50 percent investment was in debentures.

After nationalisation of Life Insurance, LIC's investment in corporate securities have largely increased due to the growth of the Life fund rather than due to any changes in the investment policies. This is evident from the fact that the ratio of corporate securities to total assets has increased every year. In 1982, the ratio was 9.36 which lowered down to 9.21 in 1986.

(A) Characteristics of Corporate Securities :- These are customarily divided into two main groups, debentures and shares, the latter being subdivided into preference shares and ordinary shares. The first and basic division recognises and conforms to the fundamental legal distinction between the creditors position and the partners position. The legal rights attached to different types of securities have important effects on the movement of securities prices. The prices of debentures, where the borrower is granted a payment at specified rate of interest have moved with stability.

Ordinary shares on the other hand, where the return is conditioned by the general profitability of the business have been noted with erratic fluctuations. The debenture prices are largely influenced by the fluctuations in the interest rates, while the

equity prices are influenced by the medium of profit. From the investment point of view, each type of corporate security presents entirely a different investment problem.

(B) Composition of Investment in Corporate Securities :-

These are important media for the investment of Life funds. In spite of the difference of opinion regarding the advisability of investing Life funds in corporate securities, in almost every country of the world Life Insurance Companies invest a substantial portion of their funds in corporate securities due to their higher yield as compared to the Govt. Securities. With this background, it is proposed to study investment of Life Insurance Fund in corporate securities and their contribution in the expansion of corporate sector in India and other related aspects of these investments.

TABLE 8

INVESTMENT IN CORPORATE SECURITIES

NO.	YEAR	AMOUNT (Rs in crores)	% TO TOTAL ASSETS
1	1981 - 82	360.36	9.36
2	1982 - 83	396.62	8.99
3	1983 - 84	466.75	8.73
4	1984 - 85	566.54	8.53
5	1985 - 86	738.56	9.31
6	1986 - 87	1023.38	10.58
7	1987 - 88	1310.09	11.08
8	1988 - 89	1682.57	11.88

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

The data in Table 8 shows that investment in corporate securities increased from Rs. 360.36 crores i.e. 9.5 percent of the total assets in 1981-82, to Rs. 1682.57 crores, constituting 11.8 percent of the total assets in 1988-89. Trend of investment also reveals the increasing percentage every year. Thus, there was substantial increase in the investment in these securities over the period of 8 years i.e. from 1981-82 to 1988-89.

After studying Table 8 following points can be noted.

- 1) The amount invested in corporate securities increased every year. It also shows that LIC has interest in investing its funds in corporate securities to enable industrial development in India.
- 2) In order to invest funds in corporate securities, there is a fixed legal policy of the Govt. as the rate of return is higher in corporate securities than the Govt. In the absence of any legal stipulations, LIC would have invested most of its funds in corporate securities. Table also shows that LIC has strictly followed the Govt. policy.

4.9 COMPARISON OF CORPORATE SECURITIES INVESTMENT IN LIFE

FUND (TOTAL & PERCENT WITH ASSETS)

In Table 9, the comparison of corporate securities in investment with life fund (total of LIC and the percent with assets) is made.

TABLE 9**LIC'S INVESTMENT IN CORPORATE SECURITIES**

NUMBER	YEAR	INVESTMENT (Rs in crores)	LIFE FUND	ASSETS %
1	1981 - 82	360.36	7,562.61	9.36
2	1982 - 83	396.62	8,631.72	8.99
3	1983 - 84	466.75	9,800.38	8.73
4	1984 - 85	566.54	11,191.09	8.53
5	1985 - 86	738.58	12,665.95	9.31
6	1986 - 87	1,023.38	14,502.20	10.58
7	1987 - 88	1,310.09	16,631.84	11.08
8	1988 - 89	1,682.57	19,568.79	11.88

SOURCE : Accounts and Reports of LIC 1981-82 to 1988-89

The data in the above table shows that the investment in the corporate securities increased only in absolute terms as compared to the life fund of LIC. Similarly the investments have increased along with the increase in life fund.

It is also clear from the Table that investment in corporate securities as percentage to total assets decreased from 9.3 percent in 1981-82 to 8.5 in 1984-85. Thereafter, the percentage started increasing and reached to 11.8 percent at the end of the year 1988-89.

A close examination of the data in the above table points out that the life fund of LIC increased from Rs. 7562.61 crores in 1981-82 to Rs. 19,568.79 crores in 1988-89 showing Rs. 12,000 crores increase during 8 years. The corresponding increase in investment of corporate securities shows the increase from Rs. 360.3 crores in 1981-82 to Rs. 1682.5 crores at the end of 1988-89, showing about an increase of Rs. 1322 crores during the same period. It follows that irrespective of the increase in life fund the LIC has made proportionately more investment in corporate securities in all the years under study.

4.10 ANALYSIS OF INVESTMENTS IN CORPORATE SECURITIES

A study of LIC's investments in corporate securities is made with reference to the analysis made on the following grounds.

- 1) Net changes in investments in corporate securities.
- 2) Countrywise distribution of corporate securities.
- 3) Zonewise composition of corporate securities.
- 4) Statewise distribution.
- 5) Composition of corporate securities according to group undertaking.

The details of each of the above are discussed below.

- 1) Net Increase in Corporate Securities as Compared to

Net Increase in Total Investment :- A comparative study of the increase in investment in corporate securities and increase in total investments of LIC in eight years can be made from TABLE 10.

TABLE 10

NET CHANGES IN INVESTMENTS IN CORPORATE SECURITIES

NO.	YEAR	INVESTMENTS (Rs in crores)	NET INCREASE IN CORPORATE SECURITIES
1	1981-82	7,473.01	31.24
2	1982-83	8,498.51	36.26
3	1983-84	9,613.74	70.13
4	1984-85	10,804.03	99.79
5	1985-86	12,264.25	172.04
6	1986-87	13,936.00	284.30
7	1987-88	15,962.19	286.71
8	1988-89	18,702.30	372.18

SOURCE : Accounts and Reports of LIC 1981-82 to 1988-89

A reference to above table shows that the net total investments since the inception of LIC amounted to Rs. 7,473.01 crores in 1981-82 and in the same year the net increase in corporate securities was Rs. 31.24 crores. Similarly, in 1985-86, the total investment was Rs. 12,264.15 crores and the net increase in corporate securities was Rs. 172.04 crores which reached to Rs. 18,702.30 crores and Rs. 372.18 crores respectively in 1988-89. From this it can be said that the progress of these two during the period under study is good one.

It is also clear that LIC has taken ^{good} ~~shown~~ interest in making investment in corporate securities and to that extent it has played a vital role in purchasing corporate securities from the stock exchanges or directly.

2) Countrywise Distribution of Corporate Securities :-

LIC has made investments in different countries. The following table gives the information on the countrywise investment in corporate securities.

The Life Insurance Corporation made the investment in corporate securities in nine countries of the world. These include Burma, Fiji, Kenya, Mauritius, Sri Lanka, Uganda, United Kingdom, Hong Kong and Malaysia. The data in Table 11 also reveals the following:

- [1] In case of Burma, the LIC could not invest in corporate securities during the whole period under study.
- [2] In the case of Fiji too, there was no investment in corporate securities
- [3] In the case of Kenya, only in 1982 there was investment of Rs. 8.5 lakhs
- [4] In case of Mauritius, LIC has made investments from 1982 to 1989. In 1982, it was Rs. 1.32 lakhs which reached to Rs. 7.48 lakhs in 1989

TABLE 11

COUNTRYWISE DISTRIBUTION OF CORPORATE SECURITIES

		(Rs. in lakhs)								
NO.	NAME OF COUNTRY	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	
1	Burma	-	-	-	-	-	-	-	-	-
2	Fiji	-	-	-	-	-	-	-	-	-
3	Kenya	8.50	-	-	-	-	-	-	-	-
4	Mauritius	1.32	1.34	1.29	1.20	1.38	4.46	6.16	7.48	87
5	Sri Lanka	4.68	2.34	2.60	0.74	0.67	0.63	0.60	0.56	87
6	Uganda	0.22	0.26	0.08	0.04	0.02	0.02	-	-	ii
7	United Kingdom	2.65	18.06	10.78	2.58	3.04	3.47	4.07	4.20	
8	Hong Kong	-	-	-	-	-	-	-	-	
9	Malaysia	20.00	-	-	-	-	-	-	-	

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

- [5] In case of Sri Lanka, there was a constant setback in the investment in each year. In 1982, it was Rs. 4.68 lakhs which decreased to only Rs. 0.67 lakh at the end of 1986 and again declined to Rs. 0.56 lakh at the end of 1989.
- [6] There was a decline in the investment in Uganda each year. At the end of 1989, investment was only Rs. 0.02 lakh.
- [7] The investment in United Kingdom was Rs. 2.65 Lakhs in 1982 which increased to Rs. 3.04 lakhs at the end of 1989. Thus in this country, the investment steadily increased every year.
- [8] However, from 1982 to 1989 there was no investment in Hong Kong
- [9] In Malaysia only in 1982, Rs. 20 lakhs were invested in corporate securities.

3) Zonewise Composition of Corporate Securities :- The important five zones of LIC are as follows : (1) Central zone (2) Eastern zone (3) Northern zone (4) Southern zone (5) Western zone. Table No. 12 shows the zone-wise distribution of investment of corporate securities.

The data in the Table clearly shows that amongst the five zones, the Western zone ranked the first and the Eastern zone ranked the second in all the years under study. In each zone, there was a steady growth in investment in each year.

TABLE 12

ZONEWISE COMPOSITION OF CORPORATE SECURITIES

		(Rs. in Lakhs)									
NO.	NAME OF ZONE	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89		
1	Central Zone	2352.29	2282.33	3695.44	4648.74	5814.97	7549.36	8199.99	11655.64		
2	Eastern Zone	12461.87	13792.63	14970.00	16883.44	18209.24	23569.24	26039.65	30496.22		
3	Northern Zone	1733.04	1794.28	1991.71	2705.66	7549.43	13321.26	20018.12	29125.34		
4	Southern Zone	5141.23	5733.63	6257.61	8353.11	14627.16	18607.96	24120.26	27245.20		
5	Western Zone	14347.03	16029.61	19710.40	24010.69	27605.75	40336.30	50577.38	69645.57		
TOTAL		36035.46	39632.48	46625.16	56601.64	73806.55	102284.12	130955.40	168168.47		

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

4) Statewise Distribution of Corporate Securities :- LIC has invested its funds in corporate securities of varieties states in India. The study in this regard is made with a view to know LIC's help to various state through the investment in corporate securities. The data given in TABLE 13 disclose the facts about LIC's investments from 1981-82 to 1988-89 in 24 states.

Table 13 shows that in the states : Manipur, Nagaland and Tripura, the LIC could not make any investment. This might be due to non-availability of good corporate securities.

Amongst all the states, given in the Table, Maharashtra ranked the first and West Bengal the second position in all the years under study. In 1982, the investment in corporate securities was Rs. 10,832.75 lakhs, which reached to Rs. 34,940.84 lakhs at the end of 1988-89. Similarly, in case of West Bengal, it increased from Rs. 7,813.78 lakhs in 1981-82 to Rs. 16,695.92 lakhs at the end of 1988-89. Considering the investment figures at the end of 1988-89, it is clear that Gujarat, Delhi, Karnataka, Tamil Nadu, Bihar, Madhya Pradesh and Uttar Pradesh recorded the notable investments. However, LIC has made very small amount of investment in corporate securities in the states like, Orissa, Punjab, Kerala, Goa, etc.

5) Composition of Investment of Corporate Securities :- LIC made investment in various types of businesses, industries under the head of investment in corporate securities. The group undertakings in which investments are made are shows in TABLE 14.

TABLE 13

COMPOSITION OF CORPORATE SECURITIES IN DIFFERENT STATES

(Rs. in lakhs)

NO.	NAME OF STATE	1982	1983	1984	1985	1986	1989
1	Madhya Pradesh	623.87	549.84	1994.77	2277.99	3365.84	6477.93
2	Uttar Pradesh	1728.42	1732.49	1700.47	2371.45	2449.13	5177.71
3	Assam	79.70	90.09	90.18	90.18	99.39	284.63
4	Bihar	3880.63	4164.01	4681.64	5631.97	5520.27	11199.47
5	Manipur	-	-	-	-	14.62	-
6	Meghalaya	3.88	3.88	3.88	3.88	3.88	3.88
7	Nagaland	-	-	-	-	-	-
8	Orissa	603.88	703.21	706.77	963.70	1184.82	2312.32
9	Tripura	-	-	-	-	-	-
10	West Bengal	7893.78	8831.44	9488.23	10193.71	11393.26	16695.92
11	Delhi	722.90	685.02	663.99	916.15	5703.00	23588.52
12	Haryana	129.00	138.14	152.62	170.72	171.60	562.79

TABLE NO. 13 CONTD.....

13	Himachal Pradesh	28.29	28.29	28.29	28.29	59.94	59.75	86.95
14	Jammu & Kashmir	0.48	0.48	0.48	0.48	0.48	0.48	0.48
15	Punjab	237.97	301.58	350.74	444.58	498.75	498.75	1254.07
16	Rajasthan	614.40	640.77	795.59	1113.79	1115.85	1115.85	3633.03
17	Andhra Pradesh	1130.11	1171.25	1409.04	1466.01	1457.40	1457.40	2043.86
18	Karnataka	1004.22	1000.26	1063.19	1231.08	5678.63	5678.63	9345.38
19	Kerala	706.15	782.51	778.70	867.68	953.40	953.40	1722.84
20	Pondicherry	4.54	4.54	4.54	4.54	4.54	4.54	4.54
21	Tamil Nadu	2296.21	2775.07	3002.14	4783.80	6533.17	6533.17	14128.58
22	Goa	243.16	243.15	380.69	408.98	408.98	408.98	559.42
23	Gujarat	3271.15	3672.28	4469.12	5227.96	7673.01	7673.01	34145.31
24	Maharashtra	10832.75	12114.18	14860.59	18373.75	19523.76	19523.76	34940.84

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

After analysing the data in Table 14, following things can be ascertained.

- 1) LIC has made investment in corporate securities in three major groups of undertakings.
- 2) First group is the large group in which LIC has made the highest amount of investment as compared to other groups. In 1982, out of total investment of Rs. 41,910.24 lakhs in corporate securities, Rs. 33,258.32 lakhs were invested in this group which reached to Rs. 1,01,984.03 lakhs out of which Rs. 1,18,158.45 lakhs were of dominated undertakings, in the year 1988-89.
- 3) The investment in second group also increased from Rs. 8,048.37 lakhs in 1981-82 to Rs. 10,326.92 lakhs in 1988-89.
- 4) In the third group, the amount invested is very low i.e. Rs. 603.50 lakhs in 1982, and Rs. 628.83 lakhs in 1985-86. The investment in the same group reached to Rs. 5,847.50 lakhs at the end of 1988-89, almost 10 times more than that of the investment in 1981-82.

4.11 CLASSIFICATION OF CORPORATE SECURITIES

The investment of LIC in corporate securities are classified into three types : debentures, preference shares, and ordinary shares. This is shown in the following table.

TABLE 14

COMPOSITION OF INVESTMENTS ACCORDING TO GROUP UNDERTAKING

(Rs. in lakhs)

NO.	NAME	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1	Large Groups	33258.37	37362.85	43111.67	53439.50	67315.74	73975.70	87688.50	101984.03
2	Other single large undertakings having assets > or = 20 crores	8048.37	7883.48	10085.25	10972.69	9711.39	13708.54	9235.60	10326.92
3	Dominant undertakin	603.50	714.15	567.61	706.77	628.83	556.34	4882.75	5847.50
	TOTAL	41910.24	45960.48	53769.53	65118.96	77655.96	88340.58	101806.85	118158.45

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

Table 15 shows the sectorwise investment in various securities. LIC's investment in private sector is more than that of other sectors. Similarly, investment in equity shares was highest of the order of Rs. 187.02 crores in 1981-82 as compared to preference shares (Rs. 42.25 crores) and debentures (Rs. 127.90 crores) in the same year. But at the end of 1988-89, the situation changed so that debenture investment took the first place (Rs. 713.08 crores) and equity shares (Rs. 483.86 crores) and preference shares of Rs. 25.25 crores. This shift might have taken place due to safety purpose.

4.12 LIC AND UNDERWRITTING

In order to stimulate the development of new industries in the private sector, the corporation has also taken the interest in underwriting of new issues of various companies. The total amount sanctioned and then allotted to issues underwritten during 1981-82 to 1988-89 is shown in TABLE 16.

The data in table shows that the amount sanctioned and allotted in 1981-82 was the same (Rs. 91.33 crores). The same policy in this regard is maintained in 1985-86 also (Rs. 225.53 crores). The amount sanctioned and allotted has steadily increased in each year. As it is seen that the amount sanctioned and allotted was Rs. 91.33 crores in 1981-82, which reached to Rs. 288.61 crores and Rs. 312.26 crores respectively in 1989.

TABLE 15

SECTORWISE COMPOSITION OF INVESTMENTS OF LIC IN SHARES AND DEBENTURES

		(Rs. in crores)							
NO.	NAME OF SECTOR	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
<u>A] PUBLIC SECTOR</u>									
1	Debentures	3.99	4.70	19.50	19.16	115.48	213.70	21.40	21.98
2	Preference Shares	0.63	0.63	0.63	1.02	0.97	0.82	0.92	0.92
3	Equity Shares	3.01	2.94	2.94	5.71	6.26	6.24	9.37	23.74
	TOTAL	7.63	8.27	23.07	25.89	122.71	220.76	31.69	46.64
<u>B] CO-OPERATIVE SECTOR</u>									
1	Shares	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
<u>C] PRIVATE SECTOR</u>									
<u>a) Joint Sector</u>									
1)	Debentures	3.50	3.70	3.90	6.03	12.83	13.09	14.90	14.93
2)	Preference Shares	2.26	2.33	2.33	2.55	2.69	2.17	1.57	1.47
3)	Equity Shares	2.72	2.74	2.68	4.08	4.49	5.48	6.08	10.27
	TOTAL	8.48	8.81	8.91	12.66	20.01	20.74	22.55	26.67

TABLE 15 CONTD.....

b)	<u>Other Sectors</u>												
1	Debentures	120.41	145.70	197.29	286.28	345.06	506.25	583.40	696.17				
2	Preference Shares	39.36	37.39	32.10	29.41	27.56	26.06	24.30	22.96				
3	Equity Shares	181.27	193.27	202.17	212.27	223.21	249.54	331.14	449.85				
	TOTAL	341.04	376.36	431.56	527.96	595.83	781.85	938.84	1148.98				

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

TABLE 16

COMPOSITION OF NEW UNDERWRITING OF ISSUE

(Rs. in crores)			
NO.	YEAR	AMOUNT SANCTIONED	AMOUNT ALLOTTED
1	1982	91.33	91.33
2	1983	156.72	154.79
3	1984	155.38	152.28
4	1985	212.50	212.50
5	1986	225.53	225.53
6	1987	199.00	191.35
7	1988	248.50	246.29
8	1989	312.26	288.61

SOURCE : Accounts and Reports of the LIC

4.13 CLASSIFICATION OF UNDERWRITING OF NEW ISSUES

The classification of underwriting assistance given by LIC during 1982 to 1989 is represented in Table 17.

After studying Table No. 17 the following points are to be noted. The LIC made the underwriting of debentures and Bonds, bonds of all India financial institutions, preference shares and ordinary shares.

TABLE 17

COMPOSITION OF UNDERWRITING OF NEW ISSUES

		(Rs. in crores)							
NO.	NAMES OF ISSUES	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
A] DEBENTURES & BONDS									
1	Central Co-operative land development bank	-	35.00	35.00	35.00	35.00	-	35.00	35.00
2	State financial Corpn	-	6.37	2.68	9.30	9.88	8.35	7.90	11.75
3	State Electric Board	-	40.50	22.80	55.05	55.00	42.00	42.00	59.50
4	Other approved Securities	71.13	2.00	3.00	1.50	0.15	-	-	-
B] BONDS OF ALL INDIA FINANCIAL INSTITUTIONS									
1	I.D.B.I.	-	60.00	64.80	71.55	80.00	85.50	95.00	110.00
2	I.F.C.I.	-	8.30	6.50	18.00	20.00	25.00	30.00	30.00
3	I.C.I.C.I.	-	-	17.50	22.00	25.00	26.00	30.00	35.00
4	I.R.B.I.	-	-	-	0.10	0.50	2.50	5.00	4.00
5	Exim Bank	-	-	-	-	-	1.00	1.00	1.00
6	NABARD	-	-	-	-	-	1.00	-	-

TABLE 17 CONTD.....

<u>C] DEBENTURES OF COMPANIES</u>	20.20	2.49	-	-	-	7.00	-	10.00
<u>D] PREFERENCE SHARES</u>	-	-	-	-	-	-	-	-
<u>E] ORDINARY SHARES</u>	-	0.10	-	-	-	0.65	2.60	18.01
								100

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.



(A) Debentures and Bonds :- Under the same head there are four types of debentures and bonds underwritten by the LIC. Central co-operative, land development, bank, state financial corporation, State electricity board and other approved securities under particular head in 1982 was Rs. 71.13 crores. From 1933, investment in State Electricity Board ranked the first position among the others. Investment in central co-operative land development bank remained the same (Rs. 35 crores) for all the years under study.

(B) Bonds of All India Financial Institution :- Under this head also four types of securities are underwritten by the LIC. Under this head the total amount in 1982 was Rs. 20.20 crores and in 1986 Rs. 125.50 crores were underwritten which reached to Rs. 179 crores at the end of 1989.

(C) Debentures of the Companies :- Under this head the amount was underwritten only in the years 1982, 1983, 1987 and 1989; i.e. Rs. 20.20 crores, Rs. 2.49 crores, Rs. 7 crores and Rs. 10 crores respectively.

(D) Preference Share of Companies :- No investment was made by the LIC from 1982 to 1989 under this head.

(E) Ordinary Shares of the Companies :- Under this head LIC started underwriting only after 1983. Rs. 65 crores were underwritten in 1987 and in 1989 it was Rs. 18.01 crores.

4.14 OTHER INVESTMENTS

After studying the major investments, it is also necessary to study the nature of other remaining investments of LIC. It is clear that LIC invests its funds in mortgages, land and buildings, and in some other investments. Individually, these items are not very important. Hence, they are treated minor investments. In addition to minor investments, very small amount is invested in miscellaneous assets. So, individual items of miscellaneous assets are not considered for the present study. The Table No. 18 shows the composition of these other investments.

The data in Table No. 18 shows that items of other investments include about 17 items, of which investment in loans on bills rediscounted is made in 1989 only. Similarly very small amount of investment in loans on personal security is made during the four years. However, investments in loans to housing development - including mortgage loans, loans to electricity boards, loans to water supply, loans on insurance policies and term loans to companies are comparatively more in all the years. Out of these, the loans for housing development ranked the first amongst all the investment items and loans to electricity boards ranked the second. Thus it is clear that LIC has spread over its investments in the field of other investments on a variety of different items as is obvious from Table No. 18.

TABLE 18

COMPOSITION OF OTHER INVESTMENTS

(Rs. in crores)

NO.	ITEM	1985-86	1986-87	1987-88	1988-89
1	Loans to Housing Development including Mortgage of Properties	1302.02	1393.79	1566.49	1834.34
2	Loans to Development Authorities in Nagaland	1.21	1.10	0.99	0.88
3	Loans to Electricity Boards	1211.57	1299.82	1455.82	1645.48
4	Loans to Water Supply & Sewage Scheme	547.79	560.56	629.19	684.06
5	Loans to State Transport Corporations	109.40	116.17	122.30	123.22
6	Loans to Sugar Co-operatives	16.66	14.24	13.14	10.13
7	Loans for setting up Industrial Estate	23.94	13.92	12.82	12.18
8	Term Loans to Companies	376.19	442.51	519.31	671.00
9	Short term loans to Companies	106.58	119.39	89.53	74.20
10	Loans on Personal Security	0.05	0.05	0.05	0.03
11	Loans on Insurance Policies within their surrender value	778.66	903.46	1002.36	1067.49
12	Contribution to Initial Capital of U.T.I.	0.75	0.75	0.75	0.75

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TABLE NO. 18 CONTD.....

13	Application money to securities and shares	8.63	-	5.08	11.81
14	Advance subscription for securities	9.83	11.37	9.60	13.71
15	Investments in Foreign countries	59.73	77.51	88.74	103.15
16	House Property and Land	117.34	130.74	144.16	163.41
17	Loans on bills rediscounted	-	-	-	94.70
TOTAL		4670.35	5085.38	5660.33	6530.54

SOURCE : Accounts and Reports of LIC, 1981-82 to 1988-89.

4.15 MORTGAGE LOANS

It is obvious from the data given in TABLE 18 that loans given to Housing Development including mortgage of properties has received greater importance amongst all investment items. This investment comprises of two parts : loans to Housing Development and mortgage loans. Though mortgage loans are not popular form of investment, it is intended to study the nature and extent of such loans extended by LIC.

These loans are advanced against the security of land and building. Normally, sufficient margin is kept between the current value of the mortgage property and the amount of outstanding loan and investment thereon. Usually, enough margin is kept to make this investment quite safe. Mortgages offer a handsome rate of return and an opportunity for both geographical diversification and diversification of credit risk. The data in the following table will give an idea about the various types of mortgage loans of LIC during the period of study.

It is clear from TABLE 19 that amongst the four items of mortgage loans that on property recorded the highest investment in all the years under study. The loan under this head, increased from Rs. 98.25 crores in 1981-82 to Rs. 255.44 crores at the end of 1988-89. Though the amount of mortgage loans for state Govt. for housing development is small every year, yet LIC has given due importance for housing development to state Govt. or Co-operatives.

TABLE 19

CLASSIFICATION OF MORTGAGE LOANS OF LIC

		(Rs. in crores)							
NO.	ITEMS	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1	Loans on mortgage property other than those included under loans to Electricity Boards & Loans to Companies/Cooperatives	98.25	107.28	128.07	123.30	136.68	152.10	180.50	255.44
2	Mortgage loan to State Govt. for Housing	3.29	2.97	2.77	2.77	2.77	6.63	6.17	6.64
3	Mortgage loan to Co-operative Societies for Housing	12.37	12.67	13.02	12.68	13.02	12.25	13.65	12.25
4	Other Mortgage Loans	16.32	17.90	24.13	25.31	31.62	28.99	35.98	103.92
	TOTAL	130.23	140.82	157.99	164.06	184.09	199.09	236.30	378.25

SOURCE : Accounts and Reports of LIC 1981-82 to 1988-89

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