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## CHAPTER - IV

### ANALYSIS OF THE INDUSTRIAL FINANCE OF LIFE INSURANCE CORPORATION OF INDIA

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#### 4.1 INTRODUCTION :

The LIC is essentially an investment institution. LIC is authorised to provide financial assistance to industrial undertakings. According to the investment policy LIC assists public sector undertakings and Public Limited Companies. But LIC cannot finance to private Limited Companies. The share of LIC in providing industrial finance is very important. In this chapter an attempt is made to search out the analysis of the Industrial Finance of LIC. In this chapter, the object is to provide an over all view of the operations of LIC in the Industrial Securities market in India.

#### 4.2 FORMS OF FINANCIAL ASSISTANCE BY LIC :

To provide financial assistance to industrial undertakings is not a main object of Life Insurance Corporation of India. ' Although a small proportion of its total funds is invested in the industrial sector, the magnitude of LIC's resources is such that even this small proportion constitutes one of the largest single sources of Industrial Finance in the country.' <sup>1</sup> LIC provides financial supports to industrial undertakings by way of following schemes :

##### (A) Investment in Corporate Securities -

The Corporate investment of LIC consists of preference shares, equity shares, and debentures. LIC directly purchases the shares and debentures of the undertakings or it acts as a underwriter. LIC underwrites the shares and debentrues of the industrial undertakings.

(B) Indirect Financing -

Apart from purchase of corporate securities and underwriting, Life Insurance Corporation of India finances the industrial undertakings through subscriptions to shares and bonds of the special industrial financing institutions. These institutions are Industrial Development Bank of India, the State Financial Corporations of India, Industrial Finance Corporation of India and so on.

(C) Direct Lending to Industry -

Direct lending to industrial enterprises constitutes the most important form of the Corporation's financing of the private corporate sector. The direct financing of industry by LIC also includes loans to companies in the private corporate industry. LIC started granting loans to Joint Stock companies only since 1963-64. There has been a continuous increase in the amount of direct lending to industries since 1963-64.

4.3 LIC AND CORPORATE INVESTMENT :

The purchase of corporate securities and the underwriting is the most important form of corporate financing by Life Insurance Corporation of India. The corporate investments of LIC consists of Equity shares, Preference Shares, Debentures and underwriting of new securities. Let us discuss each of them separately.

(A) LIC As a Buyer Of Industrial Securities -

The position of LIC as a purchaser of Corporate securities in the industrial securities market will be

examined in this part. The net annual purchases of industrial securities by LIC would indicate the quantitative magnitude of financing of private industry by it. The following table 4.1 shows the position of LIC as a buyer of industrial securities

Table 4.1

Net Purchases of Corporate Securities  
by LIC between 1957 to 1985-86

(Amount in Crores )

Year	Equity Shares	Preference Shares	Debentures	Total
1957	9.9	2.7	1.0	13.6
1958	3.2	1.2	0.1	4.5
1959	4.8	1.7	-	6.5
1960-61	5.9	2.1	2.5	10.5
1961-62	9.5	1.4	- 0.3	10.6
1962-63	15.0	0.9	6.2	22.1
1963-64	6.3	1.2	9.0	16.7
1964-65	3.8	1.4	5.5	15.7
1965-66	20.7	2.9	0.1	23.7
<u>1966-67</u>	4.4	2.5	2.8	9.7
1967-68	4.3	1.8	3.8	9.9
1968-69	2.7	1.2	3.3	7.2
1969-70	2.9	0.9	2.1	5.9
1970-71	3.2	1.2	- 2.1	2.3
1971-72	4.0	1.3	3.3	8.6
1972-73	2.2	1.4	4.1	7.7
1973-74	4.0	1.1	2.5	7.6

Year	Equity Shares	Preference Shares	Debentures	Total
1974-75	5.6	0.8	- 3.4	3.0
<u>1975-76</u>	5.3	1.2	0.3	6.8
1976-77	- 1.0	0.1	10.5	9.6
1977-78	9.0	-	6.5	15.5
1978-79	7.4	1.5	13.9	22.8
1979-80	8.4	-0.3	18.7	26.8
<u>1980-81</u>	8.4	-0.1	14.0	22.3
1981-82	6.9	-1.4	29.5	35.0
1982-83	12.0	-1.9	33.5	43.5
1983-84	8.8	-5.3	69.3	72.8
1984-85	11.5	-2.5	113.0	122.0
1985-86	11.4	-1.7	90.5	100.2
	205.5	17.3	440.2	663.0

Source - Annual reports of LIC

It is obvious from the table 4.1 that the securities portfolio of the Corporation, as on 31st March 1986 was Rs. 663 crores. During the period from 1956-57 to 1985-86, the net addition to the LIC's holdings of Corporate securities amounted to Rs. 649.4 crores. The bulk of the purchases 66.4 crores. The bulk of the purchases 66.4 percent consists of Debentures, Equity shares comprised 30.99 percent and preference shares 2.61 percent only.

(B) Securities Purchased in Different Years -

As regards the Corporations purchase of securities in the stock market in different years, it may be noted from the above table 4.1 that the role of the LIC has changed remarkably since 1966-67.

During the first decade of its existence, the Corporation made massive purchases of securities at an annual average rate of Rs. 12.37 crores. This was followed by a sharp decline in its purchases. The annual average purchases of securities during the period from 1966-67 to 1975-76 aggregated Rs. 6.87 crores. The annual average in the year 1976-77 to 1980-81 of such securities was Rs. 19.4 crores.

During the year 1981-82 to 1985-86 the annual average of purchase of securities was Rs. 74.7 crores. During the last five years there is tremendous increase in the purchase of corporate securities.

The above table 4.1 shows that the role of LIC as a buyer of corporate securities sharply increased after the year 1980-81. During the last five years 1981-82 to 1985-86 the annual average of purchase of securities by LIC is Rs. 74.7 crores. It is near about 4 times of the annual average of 1976 to 1980-81. It shows that there is remarkable increase in the role of LIC as a buyer of corporate securities.

(C) Purchase Of Various Securities -

(I) Equity Shares -

Another dimension of the LIC's investment is its

purchase of various securities. It is interesting to observe from Table 4.1 during the first decade of its operation ( 1957 to 1966) that the accent was on buying equity shares. This is indicated by the fact that such shares, which aggregated Rs. 84.1 crores, accounted for almost 2/3 of its total security purchases. The net annual addition to equity holdings averaged Rs. 9.3 crores per annum for this period.

In the second decade 1967 to 1976 there is decline in the purchase of equity shares. The table 4.1 shows that in this period the average annual purchase is Rs. 3.9 crores. It is 3 times less than the annual average of the first decade.

The table 4.1 shows that there is continuous increase in the purchase of equity shares in the post 1978 period. In this period ( 1978 to 1986 ) LIC purchased equity shares of Rs. 83.8 crores. It is near about equal to the amount of first decade. ( Rs. 84.1 crores ) So that the above table shows that there is again remarkable increase in the purchase of equity shares after the year 1978 to 1986.

In the last five years i.e. 1981-82 to 1985-86 LIC purchased equity shares of Rs. 50.6 crores. It is 1.1/2 times more than the purchase of the 1977 to 1981. In short, it is found out that in the last five years ( 1981-82 to 1985-86) there is again increase in the purchase of equity shares.

## (II) Preference Shares -

The annual average for preference share does not show any appreciable changes in the two decades of the LIC's

operation. But after the 1980 there is continuous minus balance in case of preference shares. The table 4.1 shows that in the last five years ( 1982-1986) instead of purchasing preference shares LIC returned the preference shares of the various companies due to changes in the policies of LIC.

### (III) Debentures -

In the first decade LIC purchased the debentures of Rs. 24.6 crores. It is only one fifth of the Corporation's security purchases. In the second decade LIC purchased the debentures of Rs. 16.7 crores. The table 4.1 shows that in the last decade ( 1977 to 1986 ) the accent is on buying debentures. In this period Corporation purchased debentures of Rs. 399.4 crores. The bulk of the purchase of debentures in this period is 84.8 percent in the purchase of total securities ( Rs. 470.6 crores )

In the last five years the Corporation purchased debentures of Rs. 335.8 crores. It is 98.8 percent in this decade. Hence, it is found out that in the last five years there is remarkable increase in the purchase of debentures by LIC.

In the light of the above information it is clear that in the first decade the accent was on purchase of equity shares. But afterwards there is decline in the purchase of equity shares because there is fluctuating trend in dividend. In case of preference shares there is not any remarkable change. But in the last five years ( 1981-82 to 1985-86 ) the position of preference shares became adverse. In case of debentures in

the first and second decade there is not any notable change. But in the last decade, especially in the last five years LIC's accent was on purchase of debentures. Table 4.1 shows that in this period LIC purchased 84.8 percent debentures in the total securities purchased. It is notable change in case of purchase of debenture. This is because LIC wants stable earning source.

4.4 INVESTMENT IN CORPORATE SECURITIES AS PERCENTAGE  
OF LIFE FUND, TOTAL ASSETS AND TOTAL INVESTMENTS:

(A) LIC's Investment In Corporate Securities  
As Percentage To Life Fund -

The position of the LIC in the corporate securities can be judged with the comparision to life fund of the Life Insurance Corporation. The following Table 4.2 shows the percentage of corporate securities with the life fund.

Table 4.2LIC's Investment In Corporate SecuritiesAs Percentage Of Life Fund

Year	Investment in Corporate securities (Rs. in crores )	Life Fund (Rs. in crores)	Percentage to Life Fund
1956	56.9	N A	15.0
1965-66	183.6	N A	18.8
1975-76	248.7	N A	7.2
1979-80	323.4	5818	5.5
1980-81	345.8	6641	5.2
1981-82	380.9	7563	5.3
1982-83	424.5	8632	4.9
1983-84	497.3	9800	5.0
1984-85	617.4	11191	5.5
1985-86	719.6	12666	5.7

Source - Annual Reports of LIC

The above table 4.2 shows that the percentage of corporate securities with life fund was 15.0 in the year 1956. It increased continuously from 1956 to 1965-66. It was 18.8 percent in the year 1965-66. In the year 1982-83 this percentage was 4.9 and then again it increased slightly for the next two years. The percentage of corporate securities to Life Fund is 5.7% i.e. it was less than one third of its level at the end of March 1986.

(B) LIC's Investment in Corporate Securities  
As Percentage of Total Assets -

The percentage of investment in corporate securities with the total assets of LIC is given in the Table 4.3

Table 4.3

Year	Investment in Corporate securities ( Rs. in crores )	Total Assets (Rs.in crores)	Percentage to Total Assets
1956	56.9	N A	13.7
1965-66	183.6	N A	16.8
1975-76	248.7	N A	6.9
1980-81	345.8	7091	4.9
1981-82	380.9	8068	4.7
1982-83	424.5	9102	4.7
1983-84	497.3	10256	4.9
1984-85	617.4	11644	5.3
1985-86	719.6	13121	5.5

N A = Not Available

Source - Annual Reports of LIC

From the above table 4.3 it is clear that the percentage of corporate securities with total assets has been declined. This percentage was 13.7% in the year 1956. It increased 16.8% in the year 1965-66. The trend thereafter was completely reversed. So that at the end of the year 1985-86 it constituted a mere 5.5%. It was only one third of its level at the end of March 1966.

(C) LIC's Investment In Corporate Securities  
As Percentage of Total Investment -

The percentage of investment in corporate securities with the total investment of LIC is given in the Table 4.4

Table 4.4

(Rs. in Crores)

Year	Investment in corporate securities	Total Investment	Percentage of Total Investment
1956	56.9	N A	16.0
1965-66	183.6	N A	19.1
1975-76	248.7	N A	8.0
1980-81	345.8	6534	5.3
1981-82	380.9	7473	5.1
1982-83	424.5	8499	5.0
1983-84	497.3	9614	5.2
1984-85	617.4	10304	5.7
1985-86	719.6	12264	5.9

N A - Not Available

Source - Annual Reports of LIC

It may be noted from Table 4.4 that the percentage of corporate securities with total investment was 16% in the year 1956. In the year 1965-66 this percentage was 19.1%. But after this period there has been decline in this percentage. In the year 1985-86 this percentage was only 5.9%. It is less than the one third of the percentage of the year 1965-66.

From the above information it is clear that percentage of corporate securities to Life Fund, Total Assets and Total Investments declined. This is because of its marked preference for financing of socially oriented infrastructure of housing and other schemes of State Government, initiation of new forms of financing of private industries by LIC such as direct lending to industries and entry of UTI in the industrial securities market.

#### 4.5 COMPARISON OF INVESTMENT OF LIC AND UTI IN CORPORATE SECURITIES :

' Yet another pointer to the declining part played by LIC in the purchase of industrial securities is its position Vis-a-Vis UTI. Before the setting up of UTI in July 1964, LIC was the single largest buyer of corporate securities market in India. It has now been relegated to second place and UTI has emerged as the dominant buyer. '2

The comparison of corporate securities provided by LIC and UTI is given in the following table 4.5

Table 4.5

Comparision of LIC's and UTI's Investments  
In Corporate Securities( 1980 to 1986)

(Rs. in crores)

Year	Investment in Corporate Securities			Col (2) as Percentage of	Col (3) as
	LIC *	UTI **	Total	(Col. 3)	(Co. 4)
1965	159.6	21.5	181.1	88.1	11.9
1976	248.7	163.6	412.3	60.3	39.7
1981	345.8	284.0	629.8	54.9	45.0
1982	380.9	361.0	741.9	51.3	48.7
1983	424.5	482.0	906.5	46.8	53.2
1984	497.3	714.5	1211.8	41.0	59.0
1985	617.4	1120.0	1737.4	35.5	64.5
1986	719.6	1606.0	2325.6	30.9	69.1

Source - Compiled from Annual Reports of LIC and UTI  
 Report on Currency and Finance 1984-85  
 1985-86

\* LIC's accounting year is April to March

\*\* UTI's accounting year is July to June

The dominant role of UTI is also revealed by its relative share in the combined security portfolio of UTI and LIC. The above table 4.5 shows that due to the substantially reduced purchases by LIC and due to increase in UTI's purchases the percentage recorded constant upward trend. By the end of 1981 it reached 45% i.e. more than two fifths of the total. In the year 1985-86 the percentage of LIC in

corporate securities was 30.9% and the UTI 69.1%. It means that the size of LIC's portfolio at the end of the year 1985-86 (Rs. 719.6 crores ) was less than 50% that of UTI (Rs. 1606 crores). In brief after the entry of UTI in the industrial securities market LIC's interest in new purchases seems to have diminished. It is because LIC is now accepting financing socially oriented sector of Govt. and other forms of financing private industries such as direct lending to industry.

#### 4.6 INDUSTRY-WISE DISTRIBUTION OF ASSISTANCE:

The industry-wise distribution of LIC's assistance is given in table 4.6 as follows :

Table 4.6

Industry-wise Distribution of Assistance of  
LIC as on 31st March, 1986

Industry	Assistance Rs. in lakhs	Percentage
1 Aluminium	1517.97	2.35
2. Cement	2086.66	3.22
3. Textile ( cotton + others)	10663.04	16.48
4 Dyes, Chemicals & Pharma ceuticals	7278.38	11.25
5 Electrical goods	11223.85	17.34
6 Engineering	18685.52	28.87
7 Food, drinks & tobacco	790.76	1.21
8 Iron & Steel	2916.45	4.51
9 Jute	842.13	1.30
10 Paper & Boards	2548.05	3.94
11 Rubber product	2036.76	3.15
12 Miscellaneous	4128.99	6.38
Total ;	64718.56	100.00

Source - Annual Report of LIC 1985-86

An analysis of industry-wise distribution of assistance by LIC discloses that Engineering, Electrical Goods and Textile Industries received three-fifth of the Corporation's assistance. Dyes, chemicals and pharmaceuticals were significant beneficiaries having grabbed 11.25 percent of total assistance. In contrast traditional industries like Iron & Steel, paper and cement were relatively less important beneficiaries.

4.7      STATE-WISE DISTRIBUTION OF ASSISTANCE :

State-wise distribution of the LIC's assistance is setout in Table 4.7

Table 4.7  
State-wise Distribution of Assistance  
Of LIC as on 31st March 1986

	State	Assistance Rs. in lakhs	Percentage
1	Andhra Pradesh	1457.40	1.97
2	Assam	92.39	0.13
3	Bihar	5520.27	7.48
4	Delhi	5703.00	7.73
5	Goa	408.98	0.55
6	Gujrat	7673.01	10.40
7	Haryana	171.60	0.23
8	Himachal Pradesh	59.75	0.08
9	Jammu & Kashmir	0.48	0.00
10	Karnataka	5678.63	7.69
11	Kerla	953.40	1.29
12	Madhya Pradesh	3365.84	4.56
13	Maharashtra	19523.76	26.45
14	Manipur	14.62	0.02
15	Meghalaya	3.88	0.00
16	Orissa	1184.82	1.61
17	Pondicherry	4.54	0.00
18	Punjab	498.75	0.68
19	Rajasthan	1115.85	1.51
20	Tamil Nadu	6533.19	8.85
21	Uttar Pradesh	2449.13	3.32
22	West Bengal	11393.26	15.45
Total :		73806.55	100.00

Source - Annual Report of LIC 1985-86

It is evident from the above Table 4.7 that more than four-fifths of the Corporation's assistance has been provided to industrial units of seven industrially advanced states, viz; Maharashtra, Gujrat, Tamil Nadu, West Bengal, Karnataka, Bihar and Delhi. Among these, Maharashtra occupies the top position, bagging more than one-fourth of the total assistance of the Corporation. The remaining portion of the assistance was disbursed in as many as 15 States and Union Territories. Bigger states like Rajasthan, Uttar Pradesh, Andhra Pradesh and Madhya Pradesh remained contented with awfully small share of the assistance. The above account indicates the LIC's performance for industrially advanced States.

#### 4.8 LIC'S INVESTMENT IN BIG BUSINESS HOUSES AND OTHER COMPANIES:

In general it is believed that the maximum part of LIC's investments are in those companies which have big business houses. The present study intends to examine whether this belief is true.

In following table No. 4.3 the total investment of Corporation's fund in big houses and other companies is given:

Table 4.3

LIC's Investment In Big Business Housesand Other/As On 31st March, 1986 -

(Rs. in crores)

Industry	Term lons	Short term loans	Deben tures	Prefe rence shares	Equity shares	Total
(A) Big Business Group	170.96	27.01	305.37	17.56	152.26	673.16
(B) Other Single large Industries-(each with total assets of 20 crores or more.	35.90	3.13	27.56	2.96	27.57	97.12
(C) Other Prominent Companies.	2.50	0.90	0.40	0.30	2.20	6.30
(D) Total Invest ment in MRTP Companies	209.36 240.40	31.04 64%	333.32 354.14	20.82 91%	182.02 80%	776.56
(E) Total Invest ment in Public Ltd. companies in Private Sector includ- ing Joint Sector.	299.80 352.88	53.08	357.89 388.15	30.26	227.69	968.72
(F) Percentage of (D) to (E)	69.83	58.47	93.13	68.82	79.94	80.16

Source - Annual Report of LIC 1985-86

It may be noted from the above Table 4.3 that the LIC invested more than four-fifths of its investible resources ( Made in private and joint sector companies ) in MRTP Companies. It means LIC invested only one-fifth of its investible resources in other companies.

Among the MRTP companies, big business groups occupied an important position claiming 87% of the LIC's investment in the MRTP companies and 70% of the Corporation's total investment in private and joint sector companies.

The above table shows that the big business groups and other MRTP companies have four-fifth investment in equity shares of the Corporation's total investment in equity shares of Joint stock companies.

Big Business Houses and other MRTP companies have 91% investment in the preference shares and debentures of the LIC's total investment in preference shares and debentures of joint stock companies.

The Corporation lent out three-fifth of its lendable funds to MRTP companies.

In the light of the above information it is clear that there is high degree of concentration of LIC's investment in MRTP companies and other big business houses.

#### 4.9 DIRECT LENDING TO INDUSTRIES BY LIC :

Nowadays there is substantial increase in the project cost. Therefore, entrepreneurs find it difficult to raise huge finance. So they depend on loans increasingly from financial

institutions. LIC is one of the financial institutions which provide term loan. The direct financing of industry by LIC includes loans to companies in the private corporate industries. LIC started granting loans to joint stock companies only since 1963-64. LIC sanctioned Rs. 3.5 crores as term loan in the year 1963-64. Since then there has been continuous increase in the amount of assistance sanctioned by the Corporation. Direct lending sanctioned to various industries by LIC is shown in the following table.

Table 4.9

Direct Lending to Industry by LIC -

(Rs. in crores)

Year	Loan Sanctioned
1963-64	3.5
1973-74	15.35
1979-80	55.91
1981-82	126.67
1982-83	87.71
1983-84	87.45
1985-86	124.69

Source - Annual Reports of LIC

The above table 4.9 shows that LIC sanctioned loan of Rs. 3.5 crores in the year 1963-64. It increased rapidly in the year 1985-86 upto Rs. 124.69 crores. In the year 1981-82 the term loan sanctioned by LIC was the highest one.

DIRECT LENDING AS PERCENTAGE OF LIFE  
FUND AND TOTAL INVESTMENT :

Direct Lending has become very popular and most pivotal form of financing by LIC. The percentage of direct loan sanction by LIC to Life Fund and Total Investment is given below :

Table 4.10

Direct Lending as Percentage of Life Fund  
And Total Investment ( 1982 to 1986 ) -

(Rs. in crores)			
Year	Loan Sanctioned	Percentage of loan to Life Fund	Percentage of loan to Total Investment
1981-82	126.67	1.67	1.69
1982-83	87.71	1.02	1.03
1983-84	87.45	0.89	0.90
1984-85	89.70	0.80	0.87
1985-86	124.69	0.98	1.01

Source - Annual Reports of LIC

From the above table it is clear that the percentage of direct lending with the life fund in the year 1981-82 was 1.67 it came down upto 0.98 in the year 1985-86. In the same way the percentage of direct lending with the total investments in the year 1981-82 was 1.69, it reduced upto 1.01 in the year 1985-86. It shows that there is slight reduction in the sanctioning term loans. But in the year 1985-86 LIC sanctioned Rs. 124.69 crores as term loans. It is higher than the term

loan sanctioned in the previous three years. It shows that there is again increase in term loan from the year 1985-86.

4.10 LIC's SUBSCRIPTIONS TO SECURITIES OF  
INDUSTRIAL FINANCING INSTITUTIONS :

One of the most important activity of LIC is to purchase the shares and bonds of industrial financing institutions. This is the indirect financing support provided by LIC to various industrial enterprises. LIC started investing in securities of companies right from its formation. LIC's subscriptions to be shares and bonds of SFC, IFC and IDBI is given in the following table 4.11

Table 4.11

LIC's Subscription To Shares And Bonds  
of Financial Institutions

(Rs. in crores )

Year	Total holding *	Yearly Increase
1981-82	240.91	88.4
1982-83	349.65	68.74
1983-84	420.66	71.01
1984-85	526.25	105.59
1985-86	612.42	86.17

Source - Annual Reports of LIC

\* Total holding includes only SFC, IFC and IDBI



In the year 1957 LIC subscribed to the shares and bonds of industrial financial institution only Rs. 4.63 crores. But in the year 1981-82 it increased upto Rs. 280.91 crores. In the year 1985-86 it increased upto Rs. 612.42 crores. It is more than two-times of the total holding in the year 1981-82. The yearly increase shows that there is ups and downs. But the trend of yearly increase was highest in the year 1984-85.

### Institution-Wise Subscription of Shares

#### And Bonds by LIC -

Another notable feature of LIC's purchase of securities of financial institutions is the institution-wise break-up of investment. In this topic financial institution like, State Financial Corporation, Industrial Finance Corporation of India and Industrial Development Bank of India are taken into consideration. The subscription of LIC to these institutions are shown in the following table.

Table 4.12

### Institution-wise Subscription Of Shares

#### And Bonds by LIC

(Rs. in crores)

Year	Total Holding	Shares and Bonds of financial institutions to total as in Col.(2)		
		SFC	IFC	IDBI
1	2	3	4	5
1981-82	280.91	88.41	17.17	174.33
1982-83	349.65	90.61	24.63	234.11
1983-84	420.66	90.52	31.55	298.59
1984-85	526.25	93.11	48.65	384.49
1985-86	612.42	84.68	68.55	459.19
Total :	2189.80	447.33	190.85	1550.71

Source - Annual Reports of LIC

\* Total holding includes only SFC, IFC and IDBI.

LIC started acquiring the securities of the IDBI only from 1974-75. LIC's investment in shares and bonds of financial institution was Rs. 4.63 crores in the year 1956-57. In the year 1985-86 the IDBI has highest proportion in the total holding i.e. 75%. The second place is acquired by the State Financial Corporations because it acquired 17% and the third position is of Industrial Finance Corporation of India having only 8%. It may be noted here that although LIC started acquiring the securities of IDBI only from 1974-75, the relative holdings of it for exceed those in IFC and SFC.

LIC's subscriptions to shares and bonds of financial institutions as percentage of life fund, total assets and total investments is given in the following table.

Table 4.13

Year	Total Holding * (Rs.in crores)	LIC's subscription to financial institutions as percentage of		
		Life Fund	Total Assets	Total Investments
1981-82	280.91	3.71	3.48	3.75
1982-83	349.65	4.05	3.84	4.11
1983-84	420.66	4.29	4.10	4.37
1984-85	526.25	4.70	4.51	5.10
1985-86	612.42	4.83	4.66	4.99

Source - Annual Reports of LIC

\* Total holding includes only IFC, SFC & IDBI.

From the above table it is clear that the LIC's subscription to shares and bonds of other financial institutions was Rs. 290.91 crores in the year 1981-82. Its percentage of life fund was 3.71. In the year 1985-86 total holding was Rs. 612.42 crores and the percentage to life fund was 4.83. It shows that the percentage increased in those five years from 3.71 to 4.83

In the same way the percentage 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 increased upto 4.99. It may be noted from the above information that there is developing trend in the subscription of shares and bonds of financial institutions.

#### 4.11 LIC AS AN UNDERWRITER :

LIC provides finance to industry by way of underwriting shares of industries. The Life Insurance Corporation of India also makes a part of its security purchases in new issue market. The LIC's investment in corporate securities comprises buying new security issues through underwriting. We shall now examine the role of the LIC as an underwriter in the new issue market.

Table 4.14Underwriting of New Issues

Year	No. of Issues	Amount underwritten (Rs. in crores)
1979	75	89.80
1980	59	79.08
1981	54	96.36
1982	73	91.33
1983	72	156.72
1984	66	155.38
1985	80	212.50
1986	78	225.53

Source - Annual Reports of LIC

The above table 4.14 shows that the underwritten activities in new issue market of LIC. In the year 1979 LIC's underwriting of new issue was Rs. 89.80 crores. It increases upto Rs. 225.53 crores, in the year 1986. It shows that there is a developing trend in the activities of LIC in new issue market.

4.12 UNDERWRITING OF LIC AND OTHER FINANCIAL  
INSTITUTIONS AS ON 31ST MARCH 1986 :

Table 4.15

Institution	Amount Underwritten (Rs. in crores)	Percentage
LIC	226	29.12
UTI	469	60.44
IFCI	40	5.15
ICICI	41	5.28

Source - Compiled from Annual Reports of LIC and  
 Report on Currency & Finance 1985-86.

The above table 4.15 shows that LIC holds second position in underwriting business. But Unit Trust of India holds first position. Once upon a time LIC stood in first position. ICICI holds third position and IFCI has the last position in case of underwriting activities. From some last years there has been declining position of LIC in the Indian new issue market because the amendment has been made in the LIC's Act. " According to LIC's Act 1938, Amendment to Section 27 A, 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 special financial institutions." <sup>3</sup>

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