



## Performance Analysis of Public And Private Service Sector Reference To Insurance Industry

**Dr G.A.Nikam**

Ex-Head Dept. of Commerce,  
Dr BAMU, Aurangabad

**Mushtaq Ahmed**

Research Scholar ,  
Dept. of Management Sci ,  
Dr BAMU, Aurangabad

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### Research Paper - Commerce

#### Abstract

*The role of service sector in Indian economy has witnessed drastic change especially in financial sector due to which India has gone for the phase of economic restructuring by liberalization globalization and privatization. The service sector is of central importance to current economic expansion of India the upward trend in services' share of Indian GDP has accelerated since the major economic reforms initiated in 1991. Services sector gaining ground Sector shares in GDP*

*The insurance sector is one of the pillars of the financial services sector, along with the banking and securities sectors. As an infrastructural service, insurance plays a key role in economic development. A well-functioning insurance sector enables efficient allocation of a country's capital and channels national savings to investments. Given its dual role as an infrastructural and commercial service, the sector directly and indirectly affects the activities of individuals and businesses. Areas of interest for developing countries relate to the potential impact of the operations of insurance and reinsurance companies on the activities of policy holders and the economy as a whole. therefore for any progress trends has to be known to design customer oriented products and customize marketing tools so the paper focus on the study of trends in insurance market.*

#### Introduction

**Almost 4,500 years ago**, in the ancient land of Babylonia, traders used to bear risk of the caravan trade by giving loans that had to be later repaid with interest when the goods arrived



safely. In 2100 BC, the Code of Hammurabi granted legal status to the practice. That, perhaps, was how insurance made its beginning. Life insurance had its origins in ancient Rome, where citizens formed burial clubs that would meet the funeral expenses of its members as well as help survivors by making some payments. India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Indian insurance companies offer a comprehensive range of insurance plans, and the common types insurance policies include: Term Life Policies, Endowment Policies, Joint Life Policies, Whole Life Policies, Loan Cover term assurance policies, unit-linked insurance plans, group insurance policies, pension plans, and annuities.

### METHODOLOGY

A research methodology may be defined as a science of methods which will be used for conducting the research. To carry out this study descriptive as well as analytical research design has been used.

### Objective of the Study

1. To know the trends and pattern of life insurance industry in India
2. To study the growth and Progress of Life Insurance Industry in India.

**Sources of Data:** The study is purely based on secondary data which has been collected from IRDA annual reports, IRDA journals, LIC reports, websites, Insurance Chronicle (ICFAI), publications, journal, books, published works, Internets etc.

### Period of the Study

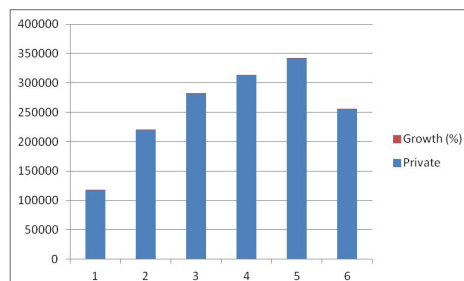
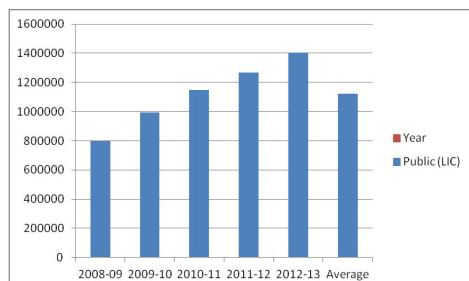
The study covers the period of 5 years from 2008-09 to 2012-13.

### Total Amount of Investment in Insurance Sector (in Rs. Crore)

#### Life Insurance

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Public (LIC)	799593	992331	1148589	1269070	1402991
Growth (%)	17.86	24.1	15.75	10.49	10.55
Private	116772	220128	281529	312188	341903
Growth (%)	33.35	88.51	27.89	10.89	9.52
Total	916365	1212459	1430118	1581258	1744894
Growth (%)	19.63	32.31	17.95	10.57	10.35
Average	305466.8067	404177.2	476716.3	527091.3	581636.4

**Source :** IRDA, Various Annual Reports



**Tables 1 and Chart 1** shows the amount and growth of investment in life insurance industry. It recorded a total investment of Rs. 1744894 crore in 2012-13 as against Rs. 916365 crore in 2008-09 with the Compounded Annual Growth Rate (CAGR) of 17.33%. The LIC recorded total investment of Rs. 799593 crore in 2008-09 which has been raised to Rs. 1402991 crore in 2012-13 with CAGR of 14.96%. As regard to the investment of private company it raises from Rs. 116772 crore in 2008-09 to Rs. 341903 crore in 2012-13 with CAGR of 53.63%. The table also reveals one interesting point i.e., the Compounded Annual Growth Rate (CAGR) of private life insurance company is 3.58 time of public life insurance company which shows the success story of private companies. In spite of this, there is a big difference between the proportion of investment of public and private company. From the total investment in life insurance sector, public company (LIC) attract on the average of Rs. 1122515 crore while the private company attract Rs. 254504 crore of investment. But the higher CAGR of private company will provide new opportunities to them which helped in bridging the various proportion gaps.

**Market Share of Life Insurance Companies (in Percentage)**

Year	Public (LIC)	Private
2008-09	70.92	29.08
2009-10	70.1	29.9
2010-11	69.77	30.23
2011-12	70.68	29.32
2012-13	72.7	27.3

**Source :** IRDA, Various Annual Reports

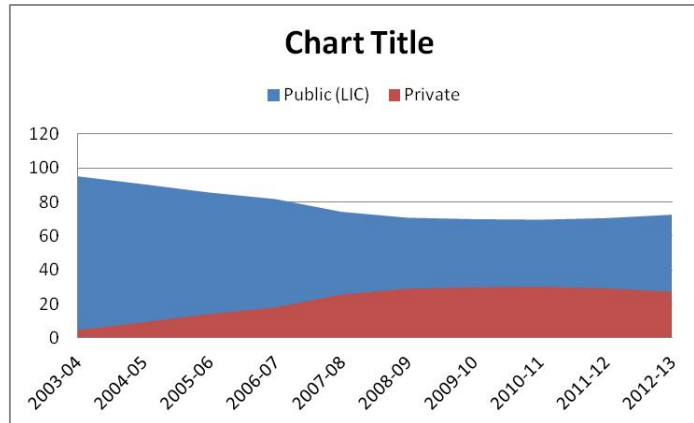


Table and Chart portray the market share of public and private life insurance companies. The data reveals that the market shares of public company have continuously decreases from 70.92% in 2008-09 to 72.7% in 2012-13 due to the opening of insurance sector to private company (2000) which also indicate the increasing pattern of private company market share. The reason behind growth of market share of private company was innovative & customized products, better distribution channels, aggressive marketing, after sale service, better facilities etc. adopted by the company. They gave a tough competition to public insurance company. Such a big loss of market share opens the eyes of LIC. They have made radical changes in their strategies and product portfolio to face cut throat competition and to regain the lost share. The efforts adopted by public company (LIC) and some environmental factors have made a positive impact on its market share. Now, it increases to 70.68% in 2011-12 and 72.70% in 2012-13. Now, LIC continue its growth through product innovation and better facilities to get the competitive advantage over its competitors

### Finding and Conclusion

After the liberalization the service sector was identified as potential market in India, the insurance was on high priority by many private international players for which various joint venture agreements were made with the local companies especially with the bankers. Life



insurance was one of the monopoly business in Indian market till liberalization with only LIC as sole player after the opening of the market various drastic changes were seen .the researcher has focused on knowing the trends in insurance and had seen that the investment in insurance industry increase by both private as well as public insurance companies. The density was increased after the liberalization but seen downfall in 2010 as the global recession has effected market badly and India was also not exceptional. The companies launched various insurance products and the penetration in the market was increasing rapidly it was also reflected in increase of premium. The performance of public sector LIC was increasing but the market share was divided by the private players. The growth rate in policies was seen uncertain and the offices were also increased by both players. Finally we conclude that there was a reasonable growth trend in insurance industry backed by both growth and development and still lot of potential and untouched segment are in Indian market.

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