Role of the Life Insurance Corporation in Economic Development of India

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The economies, such as India, are in need of investment for accelerated economic development. Savings generated through insurance companies are one of the major sources of investment in India. It is, therefore, important to study and analyze the impact of such efforts in the context of economic development. The authors have done an excellent job of analyzing the role played by the Life Insurance Corporation - a government-run corporation - in the Indian economy.

The book contains eight neatly described chapters. The first chapter gives a historical perspective of insurance in India and the formation of Life Insurance Corporation (LIC). The next chapter details the legal structure and near monopoly status of the LIC.

Chapters 3 and 4 are devoted to the nature of life insurance and mobilization of savings. These two chapters provide important background information to understand the role the LIC played, and continues to play, in the economic development of India.

Investment policies and practices of LIC are discussed in chapters 5 and 6. The LIC investments are guided by safety considerations and consequently the return on investment appears to be less than what could be earned. This emphasis on investment safety has not changed for a long period. Consequently, this investment policy has failed to bring attractive returns to the policy holders. This policy and the consequently low returns may adversely affect the LIC's ability to compete with other institutional investors in attracting and mobilizing new funds in the future.

The impact of LIC's investments and its mobilization of savings in economic development is discussed in chapter 7. This is by far the most important chapter in the book. The authors analyze the role played by the LIC in industrial financing including development of new industries, investment to stimulate regional economic development and lending for housing. It seems that the LIC is a major provider of capital to the government in its efforts of economic development and has also played, although relatively less significantly, a role in stimulating private industrial development and new housing construction.

Overall, the authors' have been successful in describing the role played by a major financial institution in economic development efforts. The study is very informative, well written and useful for all those interested in economic development. Particularly, the study analyzes the role played by financial institutions in the process of economic development. In future editions of the book, it may be well advised if the authors could also include the possible economic benefits derived as a result of LIC investments in India.