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EDITORIAL

LIC IPO

The Life Insurance Corporation of India was established in 1956, through an Act of the Parliament, with just Rs 5 crore capital from the Government of India. It started its journey with the motto: People's money for people's welfare. It has been functioning like a mutual benefit society, catering to the needs of needy people and playing a pivotal role in mobilising small savings from the people for the overall development of our nation. The recent amendments paved the way for the listing of LIC in stock markets and bringing it under the provisions of Companies Act and SEBI rules. Some popular economists are gleeful that henceforth LIC can raise resources from the stock markets. But the facts are otherwise. LIC has already been investing Rs 3.5–4.5 lakh crore every year, for the development of the country. It has invested more than Rs 31 lakh crore till now. Out of this, it has put in Rs 24,01,457 crore in Central and State Government securities, housing, irrigation, roads, etc., dispelling the myth that LIC needs resources from the stock markets. Even the argument that listing enhances transparency is flawed because LIC is already a transparent and efficient board-managed institution. It comes out with public disclosures every quarter. It submits reports of its functioning every month to the regulator, namely, IRDAI. It places its accounts in the Parliament for scrutiny.

In a country where only around 2% of the population could access the stock market, unlocking the value of a mammoth financial organisation for the purpose of retail investors, will undermine the interests of 130 crore Indian people. It is estimated that only 3% of the total participants in the stock exchange are retail investors. LIC settled 99.86% of claims in 2020-21 and once again it has become the world number one in claim settlement. It has the lowest operating cost in the entire life insurance industry in India. Despite cut-throat competition from

23 private companies, it is still Market Leader in the life insurance industry, with more than 74.58% market share as of 31 March 2021. From 1956 till date, the LIC has paid a total dividend of Rs 28,000 crore to the Government. This humongous payment of dividend reflects its sterling performance. While ensuring the total safety of their funds, it has the track record of giving the best returns in the form of bonus. Therefore, the move to disinvest LIC will severely impact the economy and vulnerable sections of the population.

The economic impact and governmental decision to monetize and allocate the resources to fresh infrastructure development and fill budgetary deficit, could be a historic decision. This would help the Government to ease a lot of economic parameters. LIC, as a performer and as a brand, is so attractive that it can attract strong contenders for divestment subscription, especially when the insurance sector is slowly opening up in India. The redeeming feature is that the Government is clear about the ownership and control over the institution. Hence, there would not be much change in the functioning of the organization and performance of LIC will be untouched due to this corporate event or IPO.

The Thirty Sixth Issue (Vol.18, No.2) of the SMART Journal of Business Management Studies consists of ten articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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Founder - Publisher and Chief Editor
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