

A STUDY ON INVESTMENT PORTFOLIOS' MIX OF ASSETS OF THE LIC OF INDIA

B. SHABEENA

PH.D. RESEARCH SCHOLAR IN COMMERCE, ANNAMALAI UNIVERSITY, TAMILNADU

DR. N. GUNASEGARI

ASSISTANT PROFESSOR, DEPARTMENT OF COMMERCE, ANNAMALAI UNIVERSITY, (DEPUTED IN THIRU A. GOVINDASAMY GOVERNMENT ARTS COLLEGE-TINDIVANAM), TAMILNADU

ABSTRACT

In this research paper, an attempt has been made to analyze the portfolios' mix of assets of the LIC of India after the liberalization of the Indian insurance industry. The time of the study has been taken from 2020 to 2024. To evaluate the data, time series analysis, common-size analysis, and percentage are used. Portfolio analysis considers the determination of future risk and return in holding various blends of individual securities. An integral part of any decision-making process should be the evaluation of the decision. So the selection of a portfolio of securities is important for the Life Insurance Corporation of India in the present scenario.

KEYWORDS: Investment, Portfolio, Govt. & Other Approved Securities, Equity and Infrastructure, and Social Sector Investment.

INTRODUCTION

Insurance companies play an important role in the welfare of human well-being by providing protection to millions of people against life risks such as uncertain death or accident. The Life Insurance Corporation of India was formed on September 1, 1956, with the adoption of the Life Insurance of India Act by the Indian Parliament. The act nationalized 245 insurance companies and provident societies to create the Life Insurance Corporation of India. Life insurance provides both safety and protection to individuals and also boosts savings among people. It is an arrangement through which a person can plan for the continuation of income.

Life insurance is a contract whereby the insured promises to pay a uniform rate of premium at fixed intervals of time, against which the insurer agrees to pay a fixed amount on the happening of the event, which may be the death of the insured or the expiry of a certain number of years. If the payment is to be made on the death of the insured, the insured may nominate a person to receive the amount. If the amount is to be paid on the expiry of a certain number of years, then the insured may himself receive it if he is alive on the expiry date; otherwise, his nominee will receive it. The former type of insurance is called whole life insurance, and the latter, endowment life insurance.

According to recent financial and research reports, the Life Insurance Corporation of India (LIC) maintains a well-diversified investment portfolio heavily weighted toward government securities and supplemented by significant holdings in equities, bonds, and infrastructure. Its investment strategy is primarily focused on safety, liquidity, and generating stable, long-term returns to fulfill policyholder obligations.

LIFE INSURANCE INVESTMENT

Life insurance companies are getting the savings of an individual for a longer period; therefore, the government has prescribed the norms for how the insurance companies can invest their funds. LIC follows the exposure and prudential norms prescribed by the Investment Committee and the IRDAI. Every insurer carrying on the business of life insurance and annuity businesses shall invest and at all times keep invested in the following manner:

Investment category	Life Insurance Assets	Pension & Annuity Assets	ULIP Assets
a) Central Government securities	Not less than 25%	Not less than 20%	At least 30%
b) Central/State Government security	Not less than 50%, including a) above	Not less than 40%, including a) above	
c) Approved Investments			
i. Housing & Infrastructure Bonds (Approved Investments)	Not less than 15%	Not exceeding 60%	5%

ii. Other Approved Investments	Not exceeding 20%		
d) Investments in other than approved investments	Not exceeding 15%	Nil	Not exceeding 25%

*Solvency margin is calculated before considering the proposed final dividend for the FY, which is subject to shareholders' approval in AGM.

INVESTMENT AVENUES

Marketable Securities/Negotiable Securities:

1. Shares: For the mobilization of funds, a firm can be issued two types of shares: (a) equity/ordinary shares and (b) preference shares. The preference shareholders are entitled to get the dividend and repayment of capital before the equity holders. The rate of dividend is fixed in the case of preference shares. However, ordinary shareholders' dividend is not fixed. They have the right to cast a vote at the general body of the firm.
2. Debentures: Through debentures, private companies borrow from investors for a long period at a fixed rate of interest. There are many types of debentures in stock markets, such as secured or unsecured, cumulative, convertible and nonconvertible, and redeemable and non-redeemable debentures.
3. Bonds: A bond is a long-term debt instrument that promises to pay a fixed rate of interest for a given period of time to the lender. Bonds are issued by public corporations or the government to collect their financial source. The date of maturity of a bond is specified at the time of issue, and the principal amount of a redeemable bond is payable at the time of maturity. There are different types of bonds, such as secured or unsecured bonds, redeemable and non-redeemable debentures, fixed and floating interest rate bonds, zero coupon bonds, and callable bonds.
4. Govt. Securities: The securities issued by central, state, and quasi-government are called govt. securities or gilt-edged securities. These securities have high security and safety. However, the rate of interest on these securities is relatively low. Govt. bonds and treasury bills come in this category.
5. Money Market Securities: The money market is a market where money is borrowed for the short term. Money market instruments are treasury bills, commercial papers, and certificates of deposit.

Non-Marketable Securities/Non-Negotiable Securities:

1. Deposits: Depositors get a fixed rate of interest from their deposits. The main types of deposits are bank deposits, post office deposits, and nonbanking financial companies' deposits.
2. Tax Saving Schemes: The Govt. of India has offered many tax saving schemes for people. Those who buy these schemes get tax relief as per government norms. The main tax-saving schemes are NSC (National Saving Certificate), Employee's Provident Fund, Public Provident Fund Schemes, Pension Fund, and Life Insurance Policies.
3. Mutual Fund: A mutual fund is a trust where people voluntarily contribute their savings in the units introduced by the mutual fund to fulfill a common financial goal. Investors purchase the units of mutual fund. Thus, the amount collected in any scheme will be invested in the capital market by experts of the mutual fund, and earned income will be distributed among investors according to units of the scheme purchased by them.
4. Life Insurance Policies: Another form of investment is to purchase the life insurance policies that serve the purpose of protection and investment of the investors. People, according to their requirements, purchase various types of plans prevailing in the market.

REVIEW OF LITERATURE

1. Kathleen L. Henebry, Jeanette M. Diamond (1998), "Life insurance company investment portfolio composition and investment regulation" - Has the investment portfolio composition of life insurance companies shifted over time? Does regulation impose a binding constraint on portfolio investments? Data for 55 life insurance companies (stock, mutual, and fraternal) has been analyzed to answer these questions. The study concludes that for bonds and real estate, the investment percentage has not changed significantly over time. However, for stocks, mortgages, and other assets, the change has been significant. Of note, there has been a substantial increase in the use of the other asset account. Regulations focusing on permissible investment percentages do not seem to have imposed a binding constraint.
2. J.C. Dodds (1979), in his book "The Investment behaviour of British Life Insurance Companies," presents a critical analysis of the investment policy of the life insurance industry for the period of 1962-76 and attempts to construct an econometric model of the investment behaviour. It considers the principles on which life offices appear to operate in respect of investing their reserves to meet future contingent liabilities.
3. Edison L. Bowers (1932), in his journal publication, cited "The Investment Experience of Life Insurance Companies During the Depression" - It is unfortunate that a consideration of this subject could not have been delayed for ten or twenty years so that we could have looked back in retrospect and could have made our analysis in the past tense.
4. L. Lee Colquitt, Larry A. Cox (1999), "The Efficacy of Regulators' Estimates of Life Insurer Portfolio Risk" In recent years, state regulators have expended considerable effort and resources to better measure the asset portfolio risk of life insurers. Their estimates are both particularly important in determining reserve requirements and potentially

useful for testing the agency costs of conflict between the fixed and residual claimants of insurers. In this study, we tested the degree to which these regulator-developed measures are related to the firm and environmental characteristics that financial economists have linked to managerial risk-taking propensities. Our results provide insight into whether these measures effectively gauge the risk preferences of insurer managers.

5. Rong Ximin, Zhao Hui (2007), "An analysis on insurer's optimal investment behavior." In this paper, by assuming the number of the claims follows a compound Poisson distribution, the underwriting risk is considered. This analysis is different from the traditional study of premium investment. Thus the expression of the optimum investment proportion involves some variables, such as the number of policyholders and so on, which offers more practical significance. The relations between the optimum proportion and some variables, such as the number of policyholders, are studied simultaneously. The results are general, and they provide more theoretical and practical significance for the insurer to invest with premium and change investment according to the economic environment.

6. Floyd F. Burtchett (1939), in his book entitled "Investments and Investment Policy," described the concept, meaning, and principles of investments. Further, the study provided a technical description of the contracts of the private enterprises. The term under which capital is obtained, utilized, and managed in the modern insurance industry may, however, be easily overemphasized, and this technical discussion has purposely been brief. The author focused on the traditional outline for treatment of civil obligations. This study is further concerned with investment policy, which cannot be segregated from speculation. The whole study is based on theoretical aspects.

Objectives of the study

1. To analyze the principles of asset allocation and diversification in portfolio management.
2. To assess the growth rate of the portfolios' mix of assets of LIC of India

Significance of the Study

Life Insurance Corporation of India's (LIC) investment portfolio asset mix is significant for multiple reasons, including assessing risk and security for policyholders, understanding its influence on Indian financial markets, and glean insight into broader market sentiment. As India's largest institutional investor, LIC plays a dual role: managing funds as a public trust for millions of policyholders and acting as a major market participant.

RESEARCH METHODOLOGY

This research paper is based upon applied as well as descriptive research. For this study, data are collected from secondary sources. The relevant and proper data are collected from annual reports of the LIC of India for the period 2019-2020 to 2023-2024. As statistical tools, time series analysis, common-size analysis, and percentages are used.

Data Analysis and Interpretation

Table-1 Investment Pattern of Shareholder as of 31 March. (Linked & Non-Linked Business) (Rs. in crores)

Year	Govt. Securities & Other Approved Securities	Equity & Preference Shares	Bonds, Debenture, Mutual Fund and other Securities	Investment in Infrastructure & Social Sector	Other than Approved Investment	Provision for Doubtful Investment	Subsidiaries	Total
2020	231.94	43.43	23.22	-	-	-5.87	386	678.72
2021	235.91	72.41	18.37	-	-	-5.87	-	320.99
2022	3638.01	84.12	1511.64	-	-	-5.87	392	5614.58
2023	22966.84	158.17	2645.58	-	4070.02	-548.7	1331.65	30623.56
2024	56095.97	673.02	3374.08	-	4149.61	-477.08	1,390.67	65206.27

Sources: (Annual Reports of LIC of India 2019-2024)

Table-2 Common-Size Analysis: Shareholder's Investment as of 31 March. (Linked & Non-Linked Business) (percentage)

Years	Govt. Securities & Other Approved	Equity & Preference Shares	Bonds, Debenture, Mutual Fund and	Investment in Infrastructure & Social Sector	Other than Approved Investment	Provision for Doubtful Investment	Subsidiaries	Total
-------	-----------------------------------	----------------------------	-----------------------------------	--	--------------------------------	-----------------------------------	--------------	-------

	Securities		other Securities					
2020	34.20	6.40	3.4	-	-	-0.86	56.93	100
2021	73.51	22.63	5.7			-1.83	-	100
2022	64.79	1.49	26.92	-	-	0.10	6.88	100
2023	74.99	0.52	8.63	-	13.29	1.79	4.34	100
2024	86.02	1.03	5.17	-	6.36	-0.73	2.13	100

Sources: (Annual Reports of LIC of India 2019-2024)

Interpretation

Tables 1&2 show the investment pattern of the shareholder (Govt. of India) of the LIC of India for the period 2020 to 2024. For the year 2020, the total investment of shareholders was Rs 678.72 crore, in which investment in govt. securities was Rs 231.94 crore, i.e., 34.20 percent, and in equities was 6.40 percent. In the year 2024, the total investment of shareholders was Rs 65206.27 crore, in which investment in govt. securities was Rs 56095.97 crore, i.e., 86 percent, and in equities was Rs 673 crore, i.e., 1.03 percent.

Findings

The present study shows that total investment of shareholders has gone up 9.6 times for the study period, i.e., from Rs.678 crore in 2020 to Rs.65206 crore in 2024.

Table-3 Investment Pattern of Policyholders as of 31 March (Linked & Non-Linked Business) (in crores)

Year	Govt. Securities & Other Approved Securities	Equity & Preference Shares	Bonds, Debenture, Mutual Fund and other Securities	Investment in Infrastructure & Social Sector	Other than Approved Investment	Provision for Doubtful Investment	Subsidiaries	Total
2020	2064058.57	330489.91	119901.47	258868.24	92143.36	-25347.39	29895.34	2870009.5
2021	2370167.34	593697.85	133180.59	293241.29	129121.95	-131754.19	-	3387654.8
2022	2542390.51	769384.67	165459.16	305473.77	152751.82	-24037.19	-	3911422.72
2023	2789626.81	825935.33	154406.87	320825.62	99233.41	-10871.85	32234.66	4211390.79
2024	3026836.68	1218669.38	188831.1	366553.01	72984.07	-8985.46	32234.66	4727123.36

Table-4 Common-Size Analysis: Investment Pattern of Policyholders (Linked & Non-Linked Business) (In Percentage)

Years	Govt. Securities & Other Approved Securities	Equity & Preference Shares	Bonds, Debenture, Mutual Fund and other Securities	Investment in Infrastructure & Social Sector	Other than Approved Investment	Provision for Doubtful Investment	Subsidiaries	Total
2020	72.00	11.51	4.17	9.02	3.21	-0.88	1.04	100
2021	69.96	17.52	3.93	8.66	3.81	-3.88	-	100
2022	64.99	19.67	4.23	7.80	3.90	-0.61	-	100
2023	66.24	19.61	3.66	7.61	2.35	-0.25	0.76	100
2024	64.03	25.78	3.99	7.75	1.54	-0.19	0.68	100

Interpretation

Table 3&4 shows the investment pattern of the policyholder (Govt. of India) of the LIC of India for the period 2020 to 2024. For the year 2020, the total investment of policyholders was Rs. 2870009.5 crore, in which investment in

govt. securities was Rs. 2064058.57 crore, i.e., 72 percent, and in equities was Rs. 330489.91 crore, i.e., 11 percent. In the year 2024, the total investment of shareholders was Rs. 4727123.36 crore, in which investment in govt. securities was Rs. 3026836.68 crore, i.e., 64 percent; in equities was Rs. 1218669.38 crore, i.e., 25 percent; and in other than approved securities was Rs. 72984.07 crore, i.e., 1.54 percent.

Findings

The present study shows that total investment of policyholders has gone up 11.77 times for the study period, i.e., from Rs.2870009.5 crore in 2020 to Rs. 4727123.36 crore in 2024.

CONCLUSION

The present study evaluates the portfolios' mix of assets of the LIC of India from 2020 to 2024. The study reveals that the total investment of shareholders has enlarged 9.6 times for the study period. Common-size analysis of shareholder's investment shows that the share of investment in Govt. Securities in total investment increased from 34 percent in 2020 to 86 percent in 2024. The total investment of policyholders has gone up 11.77 times for the study period, i.e., from Rs.2870009.5 crore in 2020 to Rs.4727123.36 crore in 2024.

LIC manages a massive pool of policyholder funds, and its primary objective is the safety of these investments to pay out claims and maturity benefits reliably over a long time horizon. A carefully selected asset mix, heavily weighted towards stable assets like government securities and high-rated bonds, ensures capital preservation and liquidity.

The Life Insurance Corporation of India (LIC), which manages a vast portfolio as an insurer, is heavily regulated and generally invests a large majority of its corpus in government securities (G-Secs) to ensure safety and liquidity for its policyholders. The remainder is allocated to a mix of other assets, including equities, corporate bonds, and mutual funds, as per the Insurance Regulatory and Development Authority of India (IRDAI) norms. LIC continued to exceed IRDAI mandates, investing heavily in roads, railways, power, housing, and other public sector projects. These investments supported national development while offering long-term returns. Between 2020 and 2024, LIC's investment portfolio evolved with a continued emphasis on government securities and infrastructure, while gradually increasing exposure to equities and diversifying across sectors to balance growth and stability.

REFERENCES

1. R. Rajendran and B. Natarajan, 'The impact of LPG on Life Insurance Corporation of India (LIC), Innovative Marketing, Vol-5, Issue-2, 2009
2. Ms. Liji Panda and Dr. B.C. Mishra, 'Investment Management of LIC of India: An Analytical Study of the Segment-Wise Investment,' JBMCR, Vol-1, March 2012.
3. Kishor Kumar Meena, 'Foreign Investment in Life Insurance Companies,' IRRJ, Vol-3, Issue-31, August 2011.
4. Harpreet Singh Bedi and Dr. Preeti Singh, 'An Empirical Analysis of Life Insurance Industry in India,' IJMR Vol-1, Issue-7, Nov. 2011.
5. Ms. Liji Panda and Dr. B.C. Mishra, 'Investment Management of LIC of India: An Analytical Study of the Segment-Wise Investment,' JBMCR, Vol-1, March 2012.
6. Annual Reports of the LIC and IRDAI Reports of India from 2019 to 2024.

Websites

<http://www.researchandmarkets.com>

<http://www.irdaindia.org>

<http://www.LIC.co.in/about.htm>