

## CHAPTER - VII

### CONCLUDING OBSERVATIONS

It has been clearly mentioned at the outset that the present study seeks to make an in-depth analysis of the role and functioning of the Life Insurance Corporation (LIC) as a public sector undertaking. It also analyses the role of the employees in this very vital organization which has been looked upon by the planning commission as a "public utility service". In fact, the history of the LIC in India reveals that it has to pass through a number of stages of development but at every stage, the basic an underlying principle has been the concept of collective protection — protection of those persons exposed to a number of risks. In other words, it is the 'public interest' which acts as the main driving force behind such a large organisation.

It may not be out of place here to mention the overwhelming opinion expressed by the members of the select Committee way back in 1950 when it was expressed :

"We hope that the present bill will not only safeguard the interests of the policy holders and place the insurance business on a sound footings, but giving larger power of control to the state. It will add to the experience of the public administration in handling insurance business and habituate the private enterprise to accept public control in the larger interest of the community, and thus pave the way for nationalisation".

It may be recalled that the adoption of the principle of "mixed economy" as a means for economic development made it imperative on the part of the state to shoulder greater responsibility in the filed of strategic segments of the economy. The importance of the insurance sector in rapid economic development was advocated by the government in clear terms and the observation of the Speaker in the Lok Sabha in connection with the 1950 Insurance Amendment Bill is worth mentioning in this connection when he observed :

"A regulatory economy is from one point of view in the larger interest of the community. It is evident that we have accepted a sort of regulation in the matter of industry and business and it is now no longer valid to raise this question either in the sphere of insurance business or in any other. The fact

must be accepted that the progress of the country is on the lines of regulation. The stages by which ultimately the capitalist economy can be turned into an economy of the people may be slowed down and quickened according to the colour of the government that may be in power at that particular moment".

The historic announcement regarding the issue of nationalisation came on January 19, 1956 when the then Finance Minister Shri C. D. Deshmukh made a nation - wide broadcast to inform the nation of the decision of the government. In his own words :

"This afternoon, the government have promulgated an Ordinance regarding life insurance. All life insurance companies, India as well as foreign, doing business in India came under the government management and control".

He further observed :

"This is the first and preparatory step towards the nationalisation of life insurance. It will be followed by the more elaborate action called for, and it is proposed to place before the next session of the Parliament a Bill for the nationalisation of this important sector of insurance business".

Deshmukh considered this step of nationalisation of the LIC to be a 'milestone' in the road of economic prosperity because, to him, "it will introduce a new sense of awareness of building for future in the spirit of calm confidence which insurance can alone give. It is a measure conceived in a genuine spirit of service to the people. It will be for the people to respond, confound the doubters and make it a resounding success."

As expected, the nationalisation of life insurance was received with high expectation' by the nation as a whole. This also created new enthusiasm among the workers of the insurance in general. It may be pointed out that the then president of the All India Insurance Employees' Association, Shri Rajni Patel in a telegraphic message to the Finance Minister on January 20, 1956, congratulated him and assured full cooperation of the employees.

The idea that nationalisation of life insurance got the top most priority in the agenda for national reconstruction found vocal expression in the following observation of Pandit Jawaharlal Nehru when in the meetings of the National Development Council on January 21, 1956, he observed.

"There is much talk of the public sector and the private sector. We have both sectors and we have said repeatedly that the public sector must grow ..... Inevitably, if we are aiming at a socialistic pattern, the major things must be in the public sector. We have seen in the news papers an important decision of the government of India in regard to life insurance. That is a big step as you no doubt realise".

But there were opinions which went strongly against the nationalisation move by the government. Shri B. D. Garware, President of the Maharashtra Chamber of Commerce described this decision as a "eloquent illustration of an utterly unnecessary extension of the public sector", while Shri Babubhai Chinai, President of the Indian Merchants' Chamber of Commerce considered it to be a move "inspired by a doctrinaire approach" and expressed his concern about the competence of this sector to render 'individualised service' and to build up a huge organisational setup for catering to the needs of the common people.

Besides this, it was considered to be a "most severe blow" on the private enterprise", a thoroughly "ill advised" move on the part of the government.

As the Bill for nationalisation became as Act on July', 1956, "after receiving the assent of the President, the Finance Minister outlined the general terms for its efficient functioning as :

1. Its business must be conducted with utmost economy and in a spirit of trusteeship, with the full realisation that the money belongs to the policy holders.
2. The premium must not be higher than warranted by strict actuarial considerations.
- (3) The fund must be invested so as to accrue the maximum yield for the policy holders that it may be possible to secure consistent with safety of capital.
- (4) It must render prompt and efficient service to its policy holders and there by to make insurance widely popular.

Thus, nationalisation of the life insurance had been a long felt need and it was justified on grounds of ideology, philosophy and the objectives of a welfare state. The primary objective behind nationalisation had been to

mobilise savings and utilisation of resources from the point of view of the development of the economy.

It has been correctly observed that like every individual and society, every organisation passes through successive stages of developments for its own existence growth and consolidation. For the Life Insurance Corporation of India it is very much relevant since this organisation has been facing a number of challenges both from within and without, right from the days of nationalisation. If one looks at the political and economic scenario during this period, one may find that the real problems before the LIC appeared since the mid-seventies. During the entire decade, the nature of Indian politics had been full of fluidity compounded by industrial unrest, stagnant business and high expense ratio in different forms and with different intensity. As soon the euphoria over the victory in Bangladesh war ended, economic problems and political tensions began to raise their ugly heads. The rising oil price in the international market further added causes to inflation which again had their impact on the saving potential of the people in general. In fact, it was a kind of labyrinth from which LIC had to struggle hard to come out.

The present study has tried to analyse the entire problem, keeping in mind the background stage of development of the LIC as a public sector undertaking in India. Since such a study on a macro-level is not possible, a particular micro level point of reference has been made with regard to Jalpaiguri Division of the LIC. The whole range of discussion centres round two main issues : role of the LIC as a public sector undertaking in India and the role of the employees in such an organisation. It is generally admitted that the success of any organization of such nature depends on two factors: optimum utilization of its organizational capabilities to reach the targets set by it and a sense of dedication and commitment on the part of the employees to carry forward these missions. As has already been noticed that in a welfare State like India, LIC has been considered to be public utility service, totally different from any business house which is run on the matter of profit maximisation. But this can not be the case with the LIC since its primary objective has been to take an active part in socio-economic reconstruction and quite naturally, is expected to play the role of 'a catalyst' in this process.

Given this broad perspective, the catalyst role of LIC will continue to depend even more in the days to come, on the structural, functional, procedural and

human — both formal and informal — aspects of the organization. The findings of the micro study show that there is a gap between attitude and achievement in the human side of the organization. Unless this gap is filled with proper planning, consolidation and development, the organization may suffer from lack of dedicated and committed workforce that is the *sin-qua-non* for the success of any organisation and that too, in an age of stiff competition, under the circumstances, the human aspect of the organization cannot be afforded to be lost sight of.

It has been rightly observed that the institution of public enterprises in general face new challenges in the contemporary global situation. To be more effective, a new science of management is urgently called for. It has been agreed that unregulated market mechanism has not been successful and the role of government control is still great. But the global compulsions are of different nature and demands move towards more privatisation and less state-control. This is a critical situation and the success or even survival of any public enterprise will depend on sound government policy and managerial capability of the institution. There is a need to reconcile between two aspects of 'public dimension' and "enterprise dimension" if public enterprises are to play a pivotal role in economic development of a country like India. This should be strongly and adequately supported by an ideology and commitment on the part of the policy-planners, employees and other concerned segments in this process.

The present study has revealed a number of interesting points in this regard. There has been some changes in the attitude of the government in the context of contemporary international and domestic pressures. At the sametime, at the microlevel in the present study, the attitude of the employees towards the LIC is in general, favourable but their job satisfaction as expressed is not at the uniform level. It means that there is a gap between the performance level and achievement level. This can be corrected properly, if a comprehensive policy is adopted which would cover all dimensions of economic, political, social and attitudinal aspects.