

P R E F A C E

The name 'LIC' is now not unknown to an Indian of average intelligence. The Life Insurance Corporation of India has taken pains to see that every district is represented by one or more members of its field staff. The magnitude of LIC's activities is large enough to impress anyone. It collected on average about Rs. 5.75 crores per day as premiums during 1986-87 and added during this period a new business over Rs.19,958 crores of sum assured. The LIC is servicing about 300 lakhs of policies under individual insurance; besides, it covers 1.03 crores lives for a sum assured of Rs.12,644.53 crores under the group insurance (as on 31st March, 1987).

Utilisation of people's moneys invested in life insurance for planned economic development may be said to have begun 30 years ago on 1st September, 1956, when the LIC was formed. One of the objectives of nationalised life insurance was the canalisation of its funds for the benefit and welfare of the nation. In pursuance of these norms, over the years, LIC has been investing its funds primarily, in the public sector and it now constitutes more than 80 per cent of its total investments as at 31st March, 1987.

The LIC has been in a position to accumulate a massive Life Fund of Rs.14,502.20 crores as at 31-3-1987. Major portion

of this investible fund is invested for the benefit of the community. These comprise, by and large, investments in the field of electricity, housing, water-supply and sewerage, agriculture, agro-industries, industrial estates and bonds and shares of various financial corporation of the state, as well as all-India level. Whereas at the end of 1957, LIC's investment in these socially-oriented sectors were of the order of only Rs. 8 crores because of the purposeful efforts made subsequently such investments as on 31st March, 1987 exceeded Rs. 6445 crores. They now constitute more than 51 per cent of the total investments. This is in addition to Rs. 5092 crores invested in the Central and State Government securities which are also utilised for nation-building activities.

The LIC is now on the threshold of commanding high heights of social performance. While presenting the Union Budget for 1988-89, the Finance Minister proposed a major new initiative for extending system of social security to the weaker sections of our society. To quote the budget speech, "the Life Insurance Corporation of India, which has done so much to spread insurance culture throughout the length and breadth of our country, will be setting up a separate 'social security fund' with a corpus of Rs. 100 crores. Certain changes are being made in the income-tax payable by the Life Insurance Corporation of India to make this possible. The fund will be used for financing life insurance

schemes for weaker and vulnerable sections of the population at subsidised rates. . . . the creation of such a fund will provide a solid foundation for extending insurance cover to the toiling sections of our society. In respect of these group insurance scheme , 50% of the premium will be adjusted from the newly created social security fund, the balance 50 per cent of the premium being payable by the beneficiaries concerned."

"Group insurance schemes will also be introduced for groups with regular incomes like primary school teachers, co-operative milk-producers, and workers in shops and commercial establishments. Schemes will also be formulated for the benefit of artisans, tailors, barbers, masons, carpenters and other similar groups."

Such a gigantic, as well as monolithic organisation as an instrument of the State, owes its performance appraisal. There are two pre-requisites. First, we must have an appropriate criterion for evaluating their performance, i.e., we must be able to distinguish 'good' performance from 'bad' performance using an appropriate criterion. Second, we must devise appropriate incentive schemes so that the public enterprise managers

will be willing to do their best in terms of this criterion.

The focus of the present work is on performance appraisal based on published information—annual reports, statements, studies, etc. We have purposely chosen not to devote ourselves either on the ~~system~~ ^{searching} and the search for the appropriate criterion or on the appropriate incentive schemes and other institutional requirements necessary for ensuring good performance. Our study is, therefore, very limited like any other time bound unfunded project.

We have approached our case in a conventional manner as we envisaged possibility of some meaningful conclusions within the traditional framework. We believe to have succeeded through our study in establishing appropriate criterion within the existing framework. However crude, it does provide private 'profit' as a measure of the public enterprise management's performance. By doing this we do not suggest that public enterprises should be evaluated on the basis of the same criteria as private enterprise. What we advocate is, like private enterprises they must be evaluated and evaluation should not wait, our so long futile search, for the appropriate criterion.

An appropriate criterion has to avoid the danger of hollow purism that has made so much of modern economics unfit for actual use and a conceptually sound and practical criterion can emerge through an empirical exercise. A beginning has to

to be made and, hence, this down to earth effort devoid of all jargons and juggleries.

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