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Disinvestment of LIC: A Strategic Move of Indian Government

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***Abstract*---**LIC is known for its trust and secure life. The well-known punch line "ZindagiKeSaathBhi, ZindagiKeBaadBhi" now has a question mark? The main question arises why the government is making disinvestment of LIC. The simple answer is that Government wants funds. The present paper is an effort and an attempt to find out the reasons behind the disinvestment of LIC. The main objective of the study is to critically analyze the Disinvestment of LIC. The first part of the paper will cover the introduction and journey of LIC in India, objectives, review of literature, and research methodology. The second part will consist of a critical Analysis of LIC & its success and future projections after the disinvestment. The last part of the paper highlighted the limitations, findings, suggestions & recommendations, and conclusion.

***Keywords*---**disinvestment, insurance premium, LIC, life insurance, liquidity, market capitalization.

Introduction

Life Insurance Corporation of India has completed 63 years of its incorporation. LIC has played a significant role in spreading the message of life insurance among the masses, in particular to the rural areas, and mobilization of people's money for their welfare. The main motive of LIC is to safeguard the well-being of the citizens of our country, to equip its vast and diverse nation with at least basic life cover so that the people of our country can be able to attain financial security for themselves as well as their family members. In its 63 years of journey, LIC has crossed many milestones and has set unprecedented performance records in various aspects of the life insurance business. LIC is surpassing its records and continues to be the dominant life insurer even in the liberalized scenario of Indian insurance (Chidambaram & Alagappan, 1999; Colinvaux, 1979; Crawford, 1998). LIC has shown growth on various grounds by its customer base, agency network, branch office network, new business premium and has a significant role in spreading life insurance widely across the country.

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As of date, LIC has 30 plans for sale under Individual businesses consisting of various categories being Endowment, Term Assurance, Children, Pension, Micro Insurance, Health Insurance, and Market linked products, etc. The products satisfy different needs of various segments of society (Agarwal, 2002; Agnihotri, 2014; Bhole, 2003). The main criteria of LICs investments are its national priorities and obligation of reasonable returns to the policyholders. As per the IRDAI reports, LIC has its Corporate Office in Mumbai with 8 Zonal Offices, 113 Divisional Offices, 2048 Branches, 1430 Satellite Offices, and 1227 Mini Offices. It also has a strong field force of 1148811 Agents and over one lakh employees. LIC also has its overseas operations in 14 countries (Mathew, 1998; Cummins et al., 1999; Grosen & Jørgensen, 2000). For digitization, LIC has developed its portal system equipped with the latest technological platform. LIC Mobile App for the customer is available on Android as well as iOS platforms and has over 800,000 Active Users. LIC's new Customer Portal has over 100 lakh registered users.

Table 1
Claim settlement performance F.Y.2017-18

S.No.	Particulars	Amount
1.	Total Number of Claims Settled	266.08 Lakhs
2.	Total Amount of Claims Paid	111860.41 Crores
3.	Percentage of Maturity Claims Paid	96.35%
4.	Percentage of Death Claims Paid	98.04%

Source: IRDAI annual reports 2017-18

Table 2
Other performance parameters (Rs In Crore) F.Y.2017-18

S.No.	Particulars	Amount
1.	Total Income	5,23,611.11
2.	Total Premium Income	3,17,850.99
3.	Payment to Policyholders	1,98,119.83
4.	Total Life Fund	25,84,484.92
5.	Total Assets	28,45,041.82

Source: IRDAI annual reports 2017-18

Review of related literature

A lot of work has been done on LIC which has been reviewed through various research papers but for disinvestment issues it is rare. Dr. Ravi N Kadam (2012), “LIC of India: A Giant in India‟s Insurance Sector” has made a study on the importance of insurance in risk management, performance, and competitors for LIC. The researcher has identified the 23 competitors for LIC. The study was done for a period of 5 years from 2005 to 2010. The life insurance business was measured based on gross premium income and net premium income. PrachiAgnihotri, in her study, “The impact of Privatization on the LIC of India” has thrown a light on the performance of LIC of India in a competitive position. The article contained the post-privatization period, competitive environment, major attributes for the success of plans, and performance of LIC. The descriptive study was conducted on the negative and positive aspects of LIC by considering the views of experts. The study period was 5 years from 2008-09 to 2012- 13. Ratios were used to analyze the performance of LIC. It was concluded saying that the overall performance evaluation of LIC of India is consistent and suggested having more service standards to maintain the market value of products.

Dr. K Ramanathan (2014), "A Study on the Cost Control Efficiency of LIC of India" in his article has evaluated the cost control efficiency of LIC during the period 2002 to 2012 for 10 years. The analysis revealed that in the first two years of the study LIC didn't reduce the expenses it has been made clear from the covariance that income and expenses were insignificant throughout the study period. The study also calculated the cost efficiency score of LIC of India using Data Envelope Analysis and in all the years LIC had scored the highest rank and maintained consistency compared to private insurance companies. T Narayana Gowd, Dr. C Bhanu Kiran, and Dr. C H Ramaprasada Rao, in their research paper, attempted to study the overall performance of LIC of India and investment strategy and its impact on profitability for a period 1998-2011. The investment of LIC has increased from 77.5 % in1998 to 95.81 % in 2010-11 due to effective regulation of SEBI and increasing transparency and performance of Indian corporate securities. The multiple Regression analysis revealed that the investment strategy of LIC has a positive impact on its Profitability as R multiple Correlation Coefficients in the case of sector-wise investment (0.99) and instrument-wise investment (0.98) are high. The Correlation profitability is significantly positive and also the impact of the investment strategy of LIC has significantly positive on its profit earned. The Regression model is valid and best fit to the data as the adjusted R 2 value being close to the R2 value.

Article on "Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues" asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulatory regime in many cases eliminate some of the bad outcomes.

Objectives of the study

Below mentioned are some of the objectives of the study. critical Analysis of LIC & its success and future projections after the disinvestment.

- To understand the importance of Life Insurance in human life.
- To know the Journey of LIC in India
- To study the critical analysis of LIC and its success
- To examine the future projections after the disinvestment of LIC

Method

The present study has been conducted using secondary data from the LIC of India. The required information and data have been collected from the annual reports of LIC. The other required information has been gathered from various academic journals, literature of LIC.

Discussion

Scope of the study

Life insurance is significantly important for human life today. The present study tries to give a perfect knowledge about the insurance sector managed by the government. The study has been made using secondary data collected from the annual reports of the LIC of India.

Critical analysis of LIC and its Success

In the following paragraph analysis of Life insurance has been done with the help of the secondary data taken from the IRDAI website. This data helps to know about the comparison of LIC with the private sector insurance in terms of their global insurance scenario with the help of statistics related to Region-wise Life and non-life premium, total real premium growth rate, Insurance penetration, and density, the premium is underwritten, and its market share and also investment income and profit of life insurers. This data determines the growth and success story of LIC globally.

World insurance scenario

According to the 'World Insurance in 2018' report published by reinsurance major, Swiss Re, global economic growth supported the insurance sector in 2018, with the real gross domestic product (GDP) up 3.2%. As per the IRDAI reports, Table 3 shows that Global direct premiums surpassed the USD 5 trillion mark for the first time ever in 2018, reaching USD 5193 billion (6.1% of global GDP). Total premiums expanded in both nominal and real terms, but overall growth was slower than in 2017 due to weakness in the life sector. The latter was due to shrinking markets in Europe, China, and Latin America. Life premiums in emerging markets increased by 13% in 2017 whereas they fell by 2.0% in 2018. This turnaround was mainly driven by China, due to a tightening of regulatory supervision on the distribution of savings policies which causes premiums to decrease by 5.4%. Life premiums increased by 7.0% with robust growth in key markets in emerging Asia. As there was a significant improvement in the Asia-Pacific region due to which the Global non-life premiums increased by 3% to USD 2373 billion in 2018 up from 2.8% in 2017.

Table 3

Region-wise life and non-life insurance premium (Premium In USDbillions)

Life Regions/Countries	2016-17	2017-18	2018-19
Advanced markets	3798.65	3819.64	4086.14
Emerging markets	933.54	1072.05	1107.09
Asia-Pacific	1493.53	1590.69	1682.51
India	79.31	98.00	99.84

World	4732.19	4891.69	5193.23

Source: IRDAI Annual Report 2018-19, Swiss Re, Sigma No. 3/2019

Indian insurance in global scenario

Global life premium growth is expected to improve in 2019/20, at a rate well above the annual average of the last 10 years. As per the IRDAI reports, Table 4 describes that India's share in the global insurance market was 1.92 percent during 2018. However, during 2018, the total insurance premium in India increased by 9.3 percent (inflation-adjusted) whereas global total insurance premium increased by 1.5 percent (inflation-adjusted). Globally, during 2018 the share of life insurance business in total premium was 54.30 percent and the share of non-life insurance premium was 45.70 percent. However, the share of life insurance business for India was very high at 73.85 percent while the share of non-life insurance business was at 26.15 percent. The Indian non-life insurance sector witnessed a growth of 14 percent (inflation-adjusted) during 2018. During the same period, the growth in global non-life premium was 3 percent (inflation-adjusted). However, the share of Indian non-life insurance premium in global non-life insurance premium was at 1.1 percent and India ranked 15thin global non-life insurance markets (Agrawal Raj & Diwan, 2000; Bodla et al., 2003; Nena, 2013).

Table 4
Total real premium growth rate (In Percent)

Life Regions/Countries	2016-17			2017-18			2018-19		
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
Advanced markets	-0.5	2.3	0.7	-2.7	1.9	-0.6	0.8	1.9	1.3
Emerging markets	16.9	9.6	13.5	14	6.1	10.3	-2.0	7.1	2.1
Asia-Pacific	7.4	8.9	7.9	5.6	5.8	5.7	-0.1	6.4	2.1
India	8.0	12.9	9.1	8.0	16.7	10.1	7.7	14.0	9.3
World	2.5	3.7	3.1	0.5	2.8	1.5	0.2	3.0	1.5

Source: IRDAI annual report 2018-19, Swiss Re, Sigma No. 3/2019

The measure of insurance penetration and density reflects the level of development of the insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP, insurance density is calculated as the ratio of premium to population (per capita premium). As per IRDAI reports, Table 5 shows that the insurance sector has reported a consistent increase in insurance penetration from 2.71 percent in 2001 to 5.20 percent in 2009during the first decade of sector liberalization. Since then the level of penetration was declining. However, there was a slight increase in the years 2015 (3.44percent), in 2016 (3.49 percent), in 2017 (3.69), and 2018 (3.70). The level of insurance density reached up to USD 64.4 in the year 2010 from the level of USD

11.5 in 2001. However, there was a slight decline further, but regained its position gradually and has become USD 74 in the year 2018, (USD 73 in 2017).

The insurance density of the life insurance sector had gone up from USD 9.1 in 2001 to reach the peak at USD 55.7 in 2010. Since then it has exhibited a declining trend up to the year 2013. During the year 2018, the level of life insurance density was USD 55 (USD 55 in 2017). The life insurance penetration had gone up from 2.15 percent in 2001 to 4.60 percent in 2009. Since then, it has exhibited a declining trend up to the year 2014. There was a slight increase in 2015 reaching 2.72 percent, which remained the same in 2016, increased to 2.76 in the year 2017, and decreased to 2.74 in the year 2018. The penetration of the non-life insurance sector in the country has gone up from 0.56 in 2001 to 0.97 in 2018 (0.93 in 2017). Its density has gone up from USD 2.4 in 2001 to USD 19 in 2018 (USD 18 in 2017).

Table 5
Insurance penetration and density In India

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration (percentage)	Density (USD)	Penetration (percentage	Density (USD)	Penetration (percentage)
2001	9.10	2.15	2.40	0.56	11.50	2.71
2002	11.70	2.59	3.00	0.67	14.70	3.26
2003	12.90	2.26	3.50	0.62	16.40	2.88
2004	15.70	2.53	4.00	0.64	19.70	3.17
2005	18.30	2.53	4.40	0.61	22.70	3.14
2006	33.20	4.10	5.20	0.60	38.40	4.80
2007	40.40	4.00	6.20	0.60	46.60	4.70
2008	41.20	4.00	6.20	0.60	47.40	4.60
2009	47.70	4.60	6.70	0.60	54.30	5.20
2010	55.70	4.40	8.70	0.71	64.40	5.10
2011	49.00	3.40	10.00	0.70	59.00	4.10
2012	42.70	3.17	10.50	0.78	53.20	3.96
2013	41.00	3.10	11.00	0.80	52.00	3.90
2014	44.00	2.60	11.00	0.70	55.00	3.30
2015	43.20	2.72	11.50	0.72	54.70	3.44
2016	46.50	2.72	13.20	0.77	59.70	3.49
2017	55.00	2.76	18.00	0.93	73.00	3.69
2018	55.00	2.74	19.00	0.97	74.00	3.70

Note: 1. Insurance density is measured as the ratio of premium (in USD) to the total population. 2. Insurance penetration is measured as the ratio of premium (in USD) to GDP (in USD).

Source: IRDAI annual report 2018-19

Life insurance premium

As per the IRDAI reports, Table 6 shows that the Life insurance industry recorded a premium income of 508132.03 crores during 2018-19 as against 458809.44 crores in the previous financial year, registering a growth of 10.75 percent (9.64 percent growth in the previous year). While private-sector insurers posted 21.37

percent growth (19.15 percent growth in the previous year) in their premium income, LIC recorded 6.06 percent growth (5.90 percent growth in the previous year) (Table 6). While renewal premium accounted for 57.68 percent (57.68 percent in the previous year) of the total premium received by the life insurers, new business premium contributed the remaining 42.32 percent (42.32 percent in the previous year). During 2018-19, the growth in renewal premium was 10.76 percent (8.79 percent in the previous year). New business premium registered a growth of 10.74 percent in comparison to a growth of 10.82 percent during the previous year (Table 6). Further bifurcation of the new business premium indicates that single premium income received by the life insurers recorded a growth of 10.41 percent during 2018-19 (10.85 percent growth in the previous year). Single premium products continue to play a major role for LIC as they contributed 32.89 percent of LIC's total premium income (33.48 percent in the previous year). In comparison, the contribution of single premium income in total premium income during 2018-19 was 18.04 percent for private insurance companies (15.58 percent in the previous year).

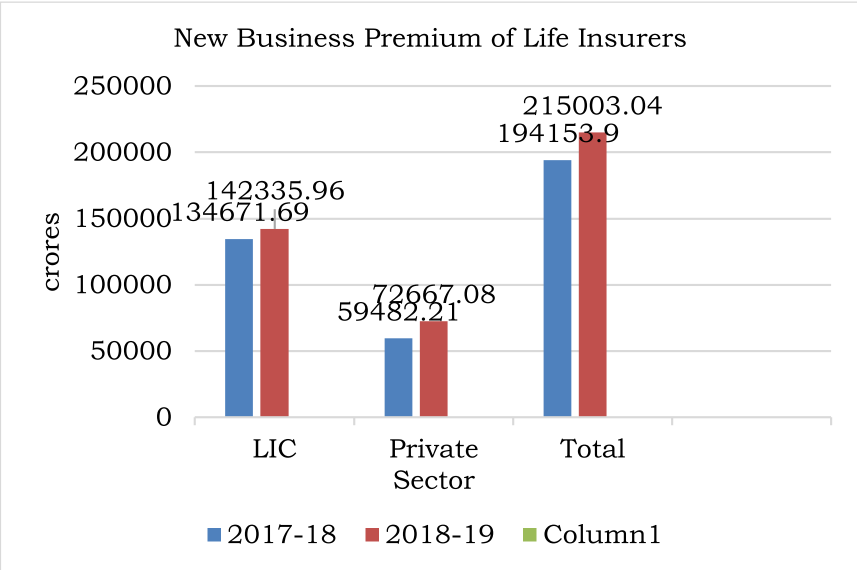
The first year premium registered 11.39 percent growth in 2018-19, as against 10.75 percent growth in the previous year. The private life insurers registered a growth of 11.46 percent (13.71 percent growth in the previous year); while LIC registered a growth of 11.30 percent in the first year premium (7.02 percent growth in the previous year). Unit-linked products (ULIPs) registered a growth of 17.42 percent premium from 64850.90 crores in 2017-18 to 76152.17 crores in 2018-19. On the other hand, the growth in premium from traditional products was at 9.65 percent, with a premium of 431979.87 crores as against 393958.54 crores in 2017-18. Accordingly, the share of unit-linked products in total premium increased to 14.99 percent in 2018-19 as against 14.13 percent in 2017-18.

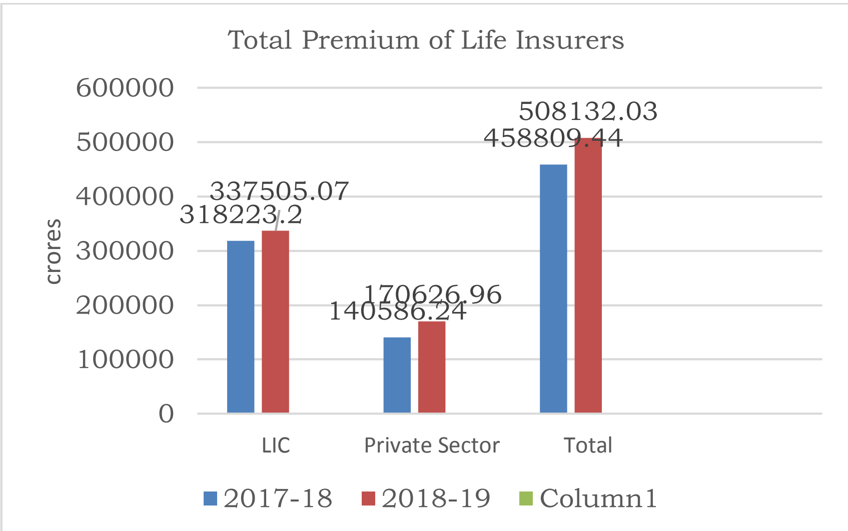
Table 6
Premium underwritten and market share: life insurers

	(Premium in Rs. crore)		(Market Share in percent)	
Insurer	Premium 2017-18	2018-19	Market Share 2017-18	2018-19
First-year premium (1)				
LIC	28146.40	31326.22	42.82	42.79
Private Sector	37581.33	41887.02	57.18	57.21
Total	65727.73	73213.24	100.00	100.00
Single premium (2)				
LIC	106525.29	111009.74	82.95	78.29
Private Sector	21900.88	30780.06	17.05	21.71
Total	128426.17	141789.80	100.00	100.00
New Business Premium (3 =(1+2))				
LIC	134671.69	142335.96	69.36	66.20
Private Sector	59482.21	72667.08	30.64	33.80
Total	194153.90	215003.04	100.00	100.00
Renewal Premium (4)				
LIC	183551.51	195169.11	69.35	66.58
Private Sector	81104.03	97959.88	30.65	33.42

Total	264655.54	293129.00	100.00	100.00
Total Premium (5 =(3+4)=(1+2+4))				
LIC	318223.20	337505.07	69.36	66.42
Private Sector	140586.24	170626.96	30.64	33.58
Total	458809.44	508132.03	100.00	100.00

Source: IRDAI annual report 2018-19





Life insurance market share

Based on total premium income, the market shares of LIC decreased from 69.36 percent in 2017-18 to 66.42 percent in 2018-19. The market share of private insurers has increased from 30.64 percent in 2017-18 to 33.58 percent in 2018-19. The market share of private insurers in new business premium was 33.80

percent in 2018-19 (30.64 percent in the previous year). The same for LIC was 66.20 percent (69.36 percent in the previous year). Similarly, in renewal premium, LIC continued to have a higher share at 66.58 percent (69.35 percent in the previous year) when compared to 33.42 percent (30.65 percent in the previous year) share of private insurers.

Investment income

As per the IRDAI reports, Table 7 shows, that the investment income (Policyholder's and Shareholder's) including capital gains and other income was 223642.30 crore in 2018-19 (206069.53 crores in 2017-18). In the case of the private insurance industry, the investment income including capital gains was at 61158.07 crores in 2018-19 (55754.32 crores in 2017-18).

Table 7
Investment income - life insurers (Crore)

Insurer	2017-18	2018-19
LIC	206069.53	223642.30
Private Sector	55754.32	61158.07
Total	261823.85	284800.37

Source: IRDAI Annual Report 2018-19

Profits of life insurers

As per the IRDAI reports, Table 8 shows that during the financial year 2018-19, the life insurance industry reported a profit after-tax of8435.81 crore as against 8511.99 crores in 2017-18. Out of the twenty-four life insurers in operations during 2018-19, twenty companies reported profits. The total profit reported by the LIC during the year under consideration is 2688.50 crore (2446.41 crores in the previous year. The private insurers together reported profit after tax of 5747.31 crores (6064.32 crores a previous year).

Table 8
Profit after tax by life insurers (Crore)

Insurer	2017-18	2018-19
LIC	2446.41	2688.50
Private Sector	6064.32	5747.31
Total	8511.91	8435.81

Source: IRDAI Annual Report 2018-19

Returns to shareholders

As per the IRDAI reports, for the year 2018-19, Table 9 describes that LIC paid/proposed 2660.60 crore (2421.82 crore in 2017-18) as dividend to shareholders i.e. Government of India. Seven private life insurers paid/proposed dividends during the financial year 2018-19. HDFC Life paid 328.83 crore (273.22 crore in 2017-18), ICICI Prudential paid/proposed 703.43 crore (990.46

crore in 2017-18), Max Life paid/ proposed 397.19 crore (285.90 crore in 201718), SBI Life paid 200 crore (200 crore in 201718), Shriram Life paid 17.94 crore (20.09 crore in 2017-18), Bajaj Allianz paid 105.50 crore and SUD Life paid 5.18 crore.

Table 9
Dividends paid by life insurers (Crore)

Insurer	2017-18	2018-19
LIC	2421.82	2660.60
Private Sector	1769.68	1781.26
Total	4191.50	4441.86

Source: IRDAI Annual Report 2018-19

Disinvestment of LIC

Meaning of disinvestment

Disinvestment is defined as the selling or liquidation of assets by the Central and State Public Sector Enterprises, projects, or any other fixed assets.

Purpose of disinvestment

Disinvestments are undertaken by the Indian Government for several purposes.

- To lessen the burden on the exchequer, gather money for specific purposes to reduce the shortfall in revenue collection from other regular sectors of the economy.
- for privatization of assets
- to aid the country's growth in the long term,
- it also aids the government and the concerned companies to reduce their debt ratio.

The capital market of India is strengthened and advanced as Disinvestment brings forth a significant share of PSU ownership in the market.

Merits of disinvestment

Disinvestment allows the utilization of large proportions of public resources in non-strategic public sector subdivisions for employment in arenas located on a much higher pedestal in the social priority namely: health, family, philanthropy. Some benefits of disinvestment can be as follows.

- Privatization would help in the reduction of the outflow of sparse public resources, assisting the "non-strategic public sector units, consequently.
- Helps in ensuring reallocation of tangible and intangible assets in sectors of greater priority

- In the process of disinvestment private companies would become more self-sufficient
- Helps in ensuring greater wealth distribution as the shares of privatized companies can be presented to interested small scale investors and workers
- Product quality for customers can be increased because of the competitive nature of companies

Demerits of disinvestment

- The process of disinvestment lacks transparency
- Disinvestment of profit earning public sectors will snatch away from the government significant monetary returns
- It would be incorrect to assume that Privatization is influenced by the public selling of shares

Therefore, as can be perceived disinvestment has competing effects, and it should be left unto time to ascertain the effectiveness of the current Disinvestment policy.

Explaining the rationale behind the LIC disinvestment policy

The government in clarifying the rationale behind the LIC stake sells policy comments, the categorization of companies on the stock exchange in addition to regulating a company allows access to markets (financial) and determines its value. Retail investors are also in the process allowed an opportunity to get a share in the wealth created (Pliska & Ye, 2007; Dahl, 2004; Landsman & Sherris, 2001). The government has agreed to auction a part of its holding to the LIC by IPO (Initial Public Offering). However, with regards to the IPO, there are a few things that need to clarify and borne in mind: Firstly, the LIC is owned 100 percent by the Government and even if there is disinvestment of shares it is not likely to exceed 10% of the shares to the public sector insurance firm. It needs to be taken into consideration LIC is governed by the LIC act, so before the IPO is executed the act needs to be amended accordingly (Dermine & Lajeri, 2001; Aitken & Comerton-Forde, 2003).

As mentioned above the Modi government for the FY20 has set a disinvestment target of 2.1 lakh crores and the disinvestment of LIC is supposed to fetch 70-80 thousand crore. The listing shall make the IPO one of India's largest in terms of "market capitalization". It is being contemplated by experts the IPO shall attract foreign investors as well. LIC has consecutively been ranked as the country's biggest insurer, with a share of 76.28%. LIC has a plethora of subsidies e.g. IDBI Bank. NPAs for LIC increased to 6.10 for the initial six months of 2019-2020. Insurers have successfully doubled the Gross NPAs in the last five years. Therefore, perceiving the initiative from a holistic perspective entails certain pros to it as well.

Adverse employee reaction to the disinvestment

In reaction to recent disinvestment plan Employee unions, however, have carried out demonstrations opposing the IPO alleging the move to be in opposition to the national interest." The general contention of the employee union asserts LIC has contributed significantly to the economic augmentation of the country and dissolution of the government's power hold would jeopardize the country's fiscal and financial autonomy. The statement has been issued while posing threats that the LIC employee unions would go on an indefinite protest to the plan of the government (Magnac & Robin, 1996; Ewing & Thompson, 2016; Narayan et al., 2011). The plan of disinvestment has been proposed by the government in line with the "maximum governance, minimum government" policy but straightforwardly the government is not entitled to authorize or impede the machinations of a business by being in the business mantras and increasing its fiscal revenues. As commented by the BSP MP Danish Ali "Congress is also against this step of the government. The employees are against disinvestment and say that this is against the national interest. It will endanger the economic sovereignty of the people and will put the savings of crores of policyholders at stake."

Although nothing conclusive can be inferred from the immediate public reaction, there have been deliberations on the policy from both factions of those in support of the policy and those who oppose it, commenting on the initiative to be in refutation of the interests of the public and terms it a "family jewel being sold out". However, on the other side of the picture, the government assures the decision has been arrived at only after considering the interest of the public and that in the long run greater transparency shall be ensured and increased public participation is allowed (Martini et al., 2018; Sari & Sedana, 2020).

Ways to disinvestment

To attain the various goals and objectives related to disinvestment, a plethora of methods of disinvestment has been suggested and implemented e.g. Public offer, refers to the distribution of shares of the public sector at a predetermined price, via a general prospectus. The offer is reached out to the public via known market intermediaries. The disinvestment of LIC can be brought into the purview of this category of disinvestment.

Findings and Suggestions

From the above critical analysis, it is indicated that the Insurance business model is based on probability. The model is very simple. The collection of premium in a high volume of customers generates the revenue and settling down the claims as to the major liability of Insurance companies. Further, the expenditures or expenses are major outflows, so that in such situations, if and excess over claims and expenditures from revenue will be surplus. In the case of LIC, we observed that.

- The company has a very organized procedure for settling the claims of various policies. Therefore, the liability of claims is set off properly. Further, there is no manipulation and malpractices in the settlement of claims through the registered surveyors.

- There is transparency and proper receipts for each scheme and they have their website portal from where every customer can generate all required details about various policies.
- It is pointed out that the company has good revenues and is solvent because the funds are very safe and invested properly.
- The creditability of LIC among the customers is very high as they have full trust in LIC after investing their money.
- There is no fraud and scams found in the company till now everything is very transparent and known to its investors.

Conclusion

It can be concluded that it is too soon to reach make any deductions relating to the disinvestment of LIC. The government in the FY20 has projected an enterprising disinvestment target. The disinvestment policy of LIC is a humongous initiative. An improvement at the operational level of state insurers might be hopefully witnessed in due course. The decision shall ensure LIC does not go in the direction that was followed by BSNL and lose out on its share of markets in the future. The IPO shall strive towards making the company more competitive and vigorous. However, as has been mentioned above and exemplified in the contention of majority employees the dissolution of the government shares might, in the long run, threaten the financial sovereignty of India. The effectiveness of the policy can only be adjudged in the long run. However undoubtedly the government has ensured a valiant step by incorporating LIC in the category of Public Listing Disinvestment list of the budget 2020. There are pros and cons to the plan, but the effectiveness of the plan shall gain prominence, only after the negative reactions to the policy (protest of the LIC employees) change has been addressed, the concerns assured, additionally, the legal hurdles related to the plan needs to be exonerated in due course. If the same concerns are addressed and the hurdles removed the disinvestment plan of LIC can even out or reduce the budget deficit that has been multiplying over the years, while at the same time ensuring a humongous leap in the price of per incremental disinvestment.

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