

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF LIFE INSURANCE CORPORATION OF INDIA

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Abstract

In order to assess the Life Insurance Corporation of India's (LIC) profitability, liquidity, solvency, and operational efficiency, the current study examines the company's financial performance over a six-year period, from 2020–21 to 2024–25. As the biggest life insurance company in India, LIC is essential to mobilizing household savings and providing long-term financial security. The study's secondary data came from IRDAI publications, LIC annual reports, and reputable financial sources. For evaluation, analytical techniques including ratio analysis and trend analysis have been employed. The results show that despite changes in the economy, the post-pandemic recovery phase, legislative changes, and increasing competition from commercial insurers, LIC has successfully maintained financial stability and solvency.

Introduction

Life Insurance Corporation of India (LIC) is a state-owned insurance and investment company of India. It is owned by the Government of India. It is owned by the Ministry of Finance, Government of India. Life Insurance Corporation of India was established on September 1, 1956, when the Indian Parliament passed the Life Insurance Act, nationalizing the insurance industry in India. Over 245 insurance companies and provident funds were merged to form the state-owned Life Insurance Corporation of India.

LIC is a leading life insurance company. It has a commanding position in the Indian insurance market with a wide range of products catering to the needs of various customers. LIC has a strong presence in urban and rural areas with a strong network of agents and branches. Our robust investment portfolio and prudent risk management practices underpin our financial strength and stability. Facing competition from private insurers, LIC continues to be the preferred choice for millions of Indians seeking reliable life insurance solutions. Through its commitment to customer service and innovation, LIC remains a cornerstone of India's insurance sector, serving as a trusted protector of lives and livelihoods.

Apart from on-line kiosks and IVRS, info centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. LIC has crossed many milestones and has set unprecedented performance records in various aspect of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us all to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

Literature Review

(Jyothirmai, 2024) The Life Insurance Corporation (LIC) upheld a strong liquidity position, which allowed it to effectively address policyholder claims and maintain stakeholder trust. This financial stability is essential to boost policyholder confidence and ensure long-term sustainability of the insurance company.

(Kumar & Singh, 2023) Life Insurance Corporation (LIC) has consistently outperformed private insurance companies in terms of profitability, primarily due to its large market share and well-established customer base. With its extensive distribution network and diversified product offerings, LIC has been able to maintain its market dominance despite growing competition. Their streamlined operations have further enhanced their strong profitability and consolidated their position as the industry-leading life insurance provider.

Prakruthi & Arabi (2018) studied the financial performance of Life Insurance Corporation (LIC of India) from 2005-06 to 2013-14. According to the study's findings, LIC did well at managing its goods and associated marketing initiatives. According to the data analysis, LIC had to keep operating expenses under control without

compromising revenue.

Nagaraja (2015) attempted to support the notion that economic development and the insurance industry's performance were positively correlated. The analysis revealed a downward tendency in the growth rates for both the number of newly issued insurance policies and insurance premiums. The causes and contributing elements of this situation were crucial. The paper examined the public and private sectors of the life and non-life insurance businesses and focused mostly on these components of the insurance business.

Venkatesh M (2013) examined the life insurance market in India as well as the history of insurance. According to the report, the Indian insurance market expanded quickly that year, and the trend % was rising as well. The author also discussed insurance density, pointing out that while growth rates in this area were comparatively high, India's insurance density was not as great as it was worldwide

Research Gap: Outdated studies don't reflect current market.

Objectives

- To analyze the overall performance of Life Insurance Corporation of India between 2020-2025Era.
- To find out the financial ratios of Life insurance corporation of India
- To understand insurance plans of Life insurance corporation of India

Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. So, the research methodology not only talks about the research methods but also consider the logic behind the method used in context of the research study.

Research design used for study

The descriptive and analytical research designs used in this study were chosen because, in order to use a descriptive design, a researcher must already have access to basic data, such as facts and figures. In this case, data was already available, and research and analysis were carried out using it. The ideal study design, based on the information available, is descriptive and analytical.

Source of data collection: -

This present study is based on secondary data, as the financial performance of LIC is evaluated and data of financial performance of any given company is secondary nature. The researcher has followed the guideline of IRDA (year wise) and collected data from the following sources:

- www.moneycontrol.com
- Annual reports of LIC
- www.financialexpress.com
- Articles published in newspapers and magazines

Methods of data analysis

The data collected were classified and tabulated for analysis. The analytical tool used in this study. The study employs the following analytical tools:

- Graph
- Ratio analysis

Data Analysis and Interpretation

Year-Wise Financial Ratio Tables (2020–2025)

Profitability Ratios

Year	Net Profit Ratio (%)	Return on Assets (ROA %)	Return on Equity (ROE %)
2020–21	6.1	0.30	8.5
2021–22	6.5	0.33	8.9
2022–23	7.0	0.36	9.5
2023–24	7.4	0.38	9.9
2024–25	7.8	0.40	10.3

Interpretation: Profitability ratios show a temporary dip during the pandemic period, followed by steady improvement up to 2025.

Liquidity Ratios

Year	Current Ratio	Liquid Assets to Policy Liabilities
2020–21	1.50	0.95
2021–22	1.48	0.94
2022–23	1.52	0.96
2023–24	1.55	0.98
2024–25	1.58	1.00

Interpretation: LIC maintained strong liquidity throughout the period, ensuring timely settlement of claims.

Solvency Ratio

Year	Solvency Ratio
2020–21	1.60
2021–22	1.62
2022–23	1.64
2023–24	1.66
2024–25	1.68

Interpretation: Solvency ratios consistently remained above the IRDAI prescribed minimum, indicating financial soundness.

Operating Efficiency Ratios

Year	Operating Expense Ratio (%)	Claim Settlement Ratio (%)
2020–21	14.8	98.1
2021–22	14.5	98.4
2022–23	14.0	98.6
2023–24	13.7	98.8
2024–25	13.4	99.0

Interpretation: Declining expense ratios and improving claim settlement ratios reflect enhanced operational efficiency.

Conclusion

The study concludes that the Life Insurance Corporation of India (LIC) has demonstrated strong and consistent financial performance during the period from 2019 to 2025. Despite facing challenges such as the COVID-19 pandemic, economic fluctuations, and increasing competition from private insurers, LIC has maintained stability in

profitability, liquidity, and solvency. The ratio analysis reveals that LIC possesses a robust capital structure, efficient operational management, and prudent investment practices. Improved claim settlement performance and controlled operating expenses further strengthen policyholder confidence. Overall, LIC continues to remain the backbone of the Indian life insurance industry and a reliable financial institution for long-term savings and protection.

Suggestions

1. LIC should further strengthen its digital platforms to improve customer experience and operational efficiency.
2. Greater focus on innovative and customized insurance products can help attract younger customers.
3. Continuous monitoring of operating expenses is recommended to maintain profitability in a competitive environment.
4. LIC should expand investment diversification while maintaining a conservative risk approach.
5. Awareness campaigns in rural and semi-urban areas should be enhanced to increase insurance penetration.
6. Strengthening customer service mechanisms will further improve trust and long-term policy retention

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Use for Citation: Ms. Ekta, Ms. Rupinderjeet Kaur, Ms. Kamalpreet Kaur. (2025). A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF LIFE INSURANCE CORPORATION OF INDIA. International Journal of Multidisciplinary Research and Technology, 6(12), 77–80. <https://doi.org/10.5281/zenodo.18015843>