



THE ROLE OF LIC IN CORPORATE SOCIAL RESPONSIBILITY

I. Justin Jaya Franco*

Dr. N. Sumathi**

*Research Scholar, Department of Management, Adaikalamatha College, Thanjavur.

**Principal & Director, Department of Management, Adaikalamatha College, Thanjavur.

Abstract

Corporate Social Responsibility (CSR) refers to the obligations and duties of business to the society. Now a days there has been growing acceptance of the view that business should be socially responsible to all the stakeholders says shareholders, employees, consumers, government, suppliers and society. CSR, if implemented in true sense, helps in enhancing the quality of stakeholders and the society at large. This paper is the outcome of descriptive study conducted with the purpose to assess the various CSR initiatives undertaken by LIC such as JanashreeBima Yojana, Swarna Jayanti Gram Swarajgar Yojana, SikshaSahayog Yojana, etc., to uplift the unprivileged section of the society and also made an attempt to study the effect of CSR on life insurance business of LIC and on its various stakeholders. The study reveals that cost incurred by companies on Corporate Social Responsibility activities is a worthwhile investment as it enhances not only goodwill but also contribute to more profit by doing honest efforts and ethical business practices. The present paper is solely depends on secondary sources and scope of study is confined to LIC is the main limitation. From a practical perspective, the study is needed to assess whether the investment in CSR is worthwhile or not. The paper concludes that CSR are now quite an integral part of organizational objectives and becomes an effective tool by which a company can differentiate itself from their competitors and holds strong position in the market.

Keywords: Corporate Social Responsibility, Company Goodwill, LIC, Stakeholder, Society.

Introduction

The EC1 defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”. According to the UNIDO, “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.” From the above definitions, it is clear that:

- The CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses.
- CSR needs to address the well-being of all stakeholders and not just the company’s shareholders.
- Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits.

CSR in India

CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was clearly evident that much of this had a national character encapsulated within it, whether it was endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.



CSR and Sustainability

Sustainability (corporate sustainability) is derived from the concept of sustainable development which is defined by the Brundtland Commission as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business, which is a larger idea, a fact that is evident from various sustainability frameworks. An interesting case in point is the NVGs for social, environmental and economic responsibilities of business issued by the Ministry of Corporate Affairs in June 2011. Principle eight relating to inclusive development encompasses most of the aspects covered by the CSR clause of the Companies Act, 2013. However, the remaining eight principles relate to other aspects of the business. The UN Global Compact, a widely used sustainability framework has 10 principles covering social, environmental, human rights and governance issues, and what is described as CSR is implicit rather than explicit in these principles.

Company Profile of LIC

The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business.

LIC and CSR

In today’s cut throat market competition the evolving concept of Corporate Social Responsibility is gaining wide acceptance and popularity all across the globe. CSR is recognized as an effective tool to maintain balance between both business and society LIC with long back history of more than five decades has played a very prominent role in the society. Various CSR initiatives undertaken by LIC has benefited a large population of India in ways of education, health, medical, housing development, upliftment of poor through insurance schemes. Further, this study would help in understanding the benefits and present situation of various CSR projects of LIC. The study will provide innovative ideas in designing new strategies, policies and roadmaps which can effectively help in achieving the main objectives of an organization through appropriate CSR schemes.

LIC: A Place in Everyone’s Life

LIC has been synonymous with insurance in India for a long time now. Ever since its inception in 1956 Life Insurance Corporation of India (LIC) has not just been insuring lives as the country’s largest life insurance company but has also been creating wealth for the masses as the country’s largest investor.

Today, LIC with the work force of 1.2Lakhs and an agency force of 12.78Lakhs with other intermediaries services about 30crores policies. Today LIC functions with 2048 fully computerized branch offices, 113 divisional offices, 8 Zonal offices, 1202 satellites offices and the corporate office. LIC’s wide Area Network covers 113 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities.

The range of products offered by LIC is unmatched in the industry too- both in terms of number as well as the range. From retirement plans to take care of your needs after retirement to schemes that help you cater to the financial needs of your child. LIC has solutions for every need of a policy-holder. Apart from providing individuals and corporations with a mechanism for transferring their risks, LIC provides a means for mobilizing long term savings and investing them prudently. Over the last several decades LIC has been implementing state social insurance programmes, especially in the areas of pension and disability. LIC offers group policies to various groups such as employer-employee, cooperatives, weaker sections of society, etc and insurance coverage to people below poverty line at subsidized rates under social security group schemes and has been managing AABM for rural landless households. Another scheme namely JBY is implemented for BPL or for people marginally above BPL. Each of the above schemes has scholarship benefits to the children of the member of the scheme.

Business Initiative: While taking care of its social responsibilities, LIC has also kept a keen eye on the market to seize opportunities to grow its business.



Product Development: LIC continues to launch innovative products to address the needs of different segments of the society.

Training: LIC conducts regular workshops and training modules for its office staff and field staff both internally and also in association with reputed names in industry.

Overseas Operation: LIC serves the Indian Diaspora overseas through its branch offices and joint ventures. Banc assurance and alternate channels: LIC has tie-ups with 8 PSU banks, 4 private banks and 33 UCBs/RRBs/cooperative banks under Corporate Agency agreement. In the current year, LIC has planned to show a substantial income from this source.

The Road Ahead: Being the largest financial institution in the country-managing assets worth Rs 14.17lakh crore which is about 15% of India's GDP also brings its share of responsibilities. It is our endeavor to not just grow our already formidable market share but also be nimble enough to embrace new ideas and new technology to cater to the needs of every Indian.

Various CSR Schemes of LIC

LIC offers life insurance under Group policies to various groups such as employer, employees, professionals and weaker sections of society. The main features of Group Insurance Schemes are low premium and simple insurability conditions. Some of the group insurance schemes are Group term insurance schemes, Group gratuity scheme, Integrated Rural schemes. LIC also offers insurance coverage to people below poverty line under social security group schemes. A brief detail of these schemes are mentioned as below:

1. Janashree Bima Yojana - The objective of the scheme is to provide life insurance protection to the rural and urban poor persons below poverty line and marginally above the poverty line. Through JBY 5190 schemes covering 91.02 lakh new lives were finalized under 45 approved occupations during the year 2009-10.

2. AAM Admi Bima Yojana - In a rural landless household, when everyday living is a struggle, it is difficult to face life with a smile. Total 36227 death claims amounting Rs.2394452 crore paid to family of rural landless is covered under the scheme as on 31.03.2010.

3. Shiksha Sahayog Yojna - This is a scholarship scheme launched on 31.12.2001 for the benefit of children of members of Janashree Bima Yojana. Scholarship of Rs300/- per quarter per child will be paid for maximum period of 4 years. The benefit is restricted to two children per member(family) only. Scholarship of Rs. 88.90 crore was disbursed to 9, 12,281 students as a free add on benefit to the children of the members of JBY under SSY during the year 2009-10. Scholarship of Rs. 4.15 crore was disbursed to 83,569 students as a free add on benefit to the children of the members of AABY under SSY during the year 2009-10.

4. Investments: The LIC has been investing its fund in different sectors of economy. The forms of Investments include investment in government securities, shares and debentures of companies, Corporations etc. The total investment in these sectors during 2009-10 was Rs. 20,808.74 crore. The investment by way of central, state and government securities, loans, debentures and equity investments to Rs. 6, 49, 808 crore. In addition, LIC huge amount of money goes to social /community development in different parts of the country such as to Prime Ministers' National Relief Fund, Chief Ministers' Relief Funds of various states as also Rajiv Gandhi Foundation to help relief measures in case of calamities such as Earthquake, Tsunami etc.

5. Loans to Social & Economic Programmes: The LIC has been providing loan funds to various social and economic development programmes in the country such as loan to development of housing sector, power sector and other developmental projects.

6. Insurance Business in Villages: The LIC pays more attention to spread business in rural and village areas. The New Business from rural areas amounts to Sum Assured of Rs. 78, 895.11 crore under 1.02, 49, 643 policies representing 26.39% and 18.43% share of policies and Sum Assured respectively completed during the financial year 2009-10.

LIC Golden Jubilee Foundation

With a view to channelize social responsibilities, LIC formed a Public Trust named 'LIC Golden Jubilee Foundation'. The main objectives of the Golden Jubilee Foundation are:

1. Relief of poverty or distress.
2. Advancement of Education
3. Medical Relief
4. The advancement of any other object of general public utility.

As on 31st March 2010, LIC has provided a corpus of Rs. 80crore to this foundation for funding various projects for charitable purposes.

7. Micro Insurance: This scheme is the protection of low-income people and may cover various risks such as life, health, disability, property and crop insurance. Micro insurance is recognized as a useful tool in economic development. During the year 2009-10, total number of policies covered under micro insurance was 19.85 lakh amounting first premium income of Rs. 36.15 crore.



CSR Schemes & Its Impact on Stakeholders

- **Society:** LIC invests a huge sum of money of its profit on the various social schemes like education, health, medical, old-age pension benefit, group insurance for people below poverty line etc.
- **Consumers:** The customer has a choice from a variety of products and gets an appropriate product which gives them greater insurance coverage at affordable prices. CSR enhance the practice of doing business ethically and thus there would be lesser chances of policy mis selling.
- **Government:** Tax is the main source of government income. LIC pays a large amount of money to government in the form of taxes. The tax collected by the Govt. is used indifferent society and developmental projects of the economy.
- **Life Insurance Business:** The performance of LIC has been increased manifolds after the implementation of various CSR programmes. The LIC New Policies Business crossed to 38863782 lakhs and total premium income reached to Rs.186077.31 crore during the financial year 2009-10.

Issues & Challenges Involved in Implementation of CSR

Today Corporate Social Responsibility becomes an opportunity for the business. Some of the drivers pushing business towards CSR include:

- 1. The Shrinking Role of Government:** Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non regulatory initiatives.
- 2. Demands for Greater Disclosure:** There is a growing demand for corporate disclosure from stake holders, including customers, suppliers, employees, communities, investors, and activist organizations.
- 3. Increased Customer Interest:** There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers.
- 4. Growing Investor Pressure:** Investors are changing the way they assess companies' performance and are making decisions based on criteria that include social and ethical concerns.
- 5. Main Challenges in Implementation of CSR Schemes are listed below:** Lack of Community Participation in CSR Activities: There is a lack of interest of the local community in participating and contributing to CSR activities of company. Issues of Transparency: There exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. Non-availability of Clear CSR Guidelines: There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies.

Conclusion

The concept of corporate social responsibility has gained prominence from all avenues. Organizations must realize that government alone will not be able to get success in its endeavour to uplift the downtrodden of society. LIC is one of the oldest and leading life insurance company in India has been contributed impressively high in various socio-economic development projects through appropriate CSR schemes .Presently, many group insurance and social security schemes such as JanashreeBima Yojana, AamAadmiBima Yojana, Shiksha Sahayog Yojana and many more CSR projects has been undertaken by LIC for the welfare of poor and spreading insurance to under penetrated rural population who cannot afford to pay premium. In addition, the corporation provide loans and invests huge amount of its fund in different sectors like power, agriculture, housing, water supply, Central and State securities etc. With the implementation of new schemes and CSR initiatives, the performance of LIC has been improved noticeably high in rural areas where private players are yet not reached. CSR activities have their advantages. The benefits are in terms of building a positive image, encouraging social involvement of employees, which in turn develops a sense of loyalty for the organization. CSR activities help bond employees as a team with the organization, which in turn helps in creating a dedicated workforce. Therefore we can conclude that Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce as well as of the local community and society at large.

References

1. M.L Mathew (2003), 'Insurance Principles and Practices', RBSA Publication, Jaipur.
2. M.N. Mishra (1999), 'Life Insurance Corporation of India', RBSA Publication, Jaipur.
3. Triapthi, NaliniPrava and Pal Prabir(2005), 'Indian Insurance Industry- The Paradigm Shift', ICFAI Publication, Hyderabad.
4. LIC Annual Report 2009-10.
5. www.irda.gov.in.
6. www.licindia.com.
7. www.scribd.com.
8. www.mbaproject.com.
- 9.