In this chapter, an attempt is made to present a brief profile of LIC of India of Raichur Division area.

MAP: 2.1. MAP OF KARNATAKA

MAP NO.2.2
MAP OF THE RAICHUR DIVISION
PROFILE OF THE LIFE INSURANCE CORPORATION OF INDIA

A HISTORICAL PERSPECTIVE OF LIFE INSURANCE INDUSTRY

The urge for security and freedom has assumed several forms according to the needs of the people and stages of development of the society. In the ancient agrarian society joint family and the community provided the needed security. Industrialization set in the process of urbanization which so deeply uprooted the old values that the individual got alienated from previous socio-cultural world. The new order did not provide for social security for such migrated nuclear families.

In the beginning of the industrial revolution, there was no institutional arrangement to provide security against loss of family income in the event of death or disability of the bread earner even though the changes for the same had increased with the increasing use of machinery under new system of production. The necessity to provide security in industrial society proved to be the mother of invention of the institution of life insurance.

The institution of life insurance is an intelligent expression of man’s will to live and a conclusive evidence of his success in the intensive search for security. From primitive society to agrarian feudal society, man has sought and found some institutional arrangement for his security. Modern life insurance is logical outcome of his search for security in the advanced industrial society created by industrialization.

The institution of life insurance provides security in the modern world, which is governed mostly by materialistic considerations. The role of money in the industrial society has made it necessary that there should be an institution like life insurance, providing hedge against any life risk. The agrarian society in India, the institution of joint family provided the needed security. With the industrialization of the country joint family is being replaced by nuclear family. Hence, there is no security in the event of breadwinner of the family dies or becomes permanently disabled. The growing role of money in our economy and the expanding industrialization make it necessary that there
should be an arrangement for social security. Thus, it has been proved that life insurance alone is the answer.

GROWTH OF LIFE INSURANCE COMPANIES IN INDIA:

The early development of life assurance was closely linked with the existed marine insurance. During early days people who engaged in trade by sea attempted to mitigate their losses which resulted from the perils of the sea by spreading the losses amongst a large number of persons who are similarly engaged. Naturally many ships arrived safely in port and it was only a few that suffered loss. The many who did not suffer loss contributed to mitigate the sufferings of the few who suffered loss, so much good followed form this arrangement that the traders adopted the ideal in many lands and gradually this ultimately led to the emergence of groups of men who specialized in managing the funds and studied the rates of loss which occurred in different types of marine ventures. This was the beginning of the marine insurance.

It has been stated that the term “Yogakshem” is found in the Rig Veda and that some kind of commercial insurance was practiced by the Aryan tribes in India nearly 3000 years ago. Yogakshema implies the idea of welfare, well being, including the idea of prosperity and happiness.

The Manu Smriti also supports the system of collective cooperation as practiced by the Aryans society provided against eventualities for everyone. The mutual help system started with the birth of the child, society contributed to add to the comforts on festive occasions or to lessen the miseries of the widows and other members of bereaved families where death occurred. Besides, other social institutions like village panchayats, temples and charitable institutions also provide protection from the misfortune to a person and his dependents.

The early development of insurance was spasmodic and was restricted mostly to fields other than life. Scientific life assurance is a heritage from England, where the first recorded evidence in England being the policy on the life of William Gybbons on June 18, 1536, issued by one Richard Mortin, Life policy providing temporary cover for a
period of twelve months. Life insurance in England passed through a very hectic career. The case of the Gybbons policy gave good publicity to life insurance. The first registered life office in England was the Hand in Hand society established in 1696 followed by the Mercer’s Company which was established in 1698. The “Amicable Society” (1705) granted fluctuating sum an death till this society had accumulated sufficient funds to grant a fined sum on death. The equitable society, founded in 1762, was the first to be found on a specific basis with premium computed according to age and period of insurance.

Life insurance in its modern form came to India from England way back in 1818. The first insurance company on Indian soil was the Oriental Life Insurance Company started in Calcutta promoted by Europeans, to help the widows of their community. When it was founded by the British, some Indians like Prince Dwarka Nath Tagore Rustomjee, Cowasjee were associated as partners by the year 1833. They however could not persuade their British partners in insurance business to provide insurance cover to India lives. Some eminent Indians like Babu Muttylal seal made great efforts to prevail upon the British insurer to accept at last selected Indian lives.

The “Albert” and the Europeans extended their operations in India by extending insurance cover to Indians also but at higher cost than the Europeans. Indians lives were treated as sub-normal and loaded with an extra premium of 15 to 20 percent. The feature of the Albert and the European which started insuring Indian lives spelled misery for thousands of Indian Policy Holders.

The situation was that the funds contributed by the policy holders in India used to make good the deficit in England because the head offices of these insurers like many other British insurers were in England and the funds. Maintained and managed in England. Indian policy holders had practically no participation in the management, investment, custody and safety of the funds. The victims of the Indian Policy holders motivated some of them to start an Indian Insurance Company that would be run and controlled by the Indian Policy holders themselves. Consequently some enlightened
citizens of Bombay decided to form Indian companies themselves so that the control of business would remain in their own hands instead of speculative promoters in England.

**FIRST INDIAN INSURANCE COMPANY**

In the year 1870 the first Indian insurance company was started. The Bombay Mutual Life Assurance Society, which came into existence to cover Indian lives at normal rates. Subsequently the second company which started providing Life Insurance was the oriental government security life insurance company which was established on May 5, 1874, by a distinguished actuary Mr. D. M. Slater, Sir Phiroz Shah Mehta was one of its founder directors. The oriental was formed with an authorized capital of Rs. 10.00 lakh, of which Rs. 1.50 lakh was subscribed up to the end of the 19th century, foreign insurance companies had an upper hand over the Indian insurance companies in the matters of insurance business and they enjoyed monopoly. The Napoleon of Indian Finance, Lala Harikishan Lal, launched the Bharat Insurance Company at Lahore in 1896 in Punjab. The empire of Indian Life Assurance Company Limited (1879) was founded by Earnest Frederek Allumand Rustomji Bharucha.

The Swadeshi Movement of 1905 and 1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the cooperative Assurance at Lahore were established in 1906. In 1907, Hindustan Cooperative Insurance company took its birth in one of the its birth in Jorasanko House in Calcutta. The Indian Mercantile (1907) was started in Bombay, General Assurances (1908) at Ajmer and the Swadeshi Life in Bombay in 1908.

**INSURANCE LEGISLATION, 1912**

To regulate the activities of insurance companies and prevent them from becoming speculative, a need was felt for checks and controls to be applied on the operation of life offices, so that they would act on sound actuarial principles in India the Life Insurance Companies Act, 1912 was passed prior to 1912 India had no legislation regulating insurance. The Act brought in a measure of control over Indian Life Insurance companies by requiring that, this rate tables and periodical valuations should be certified
by an actuary. This was an important step towards the advancement of insurance business in India.

During 1914-1918 famous Indian business houses started new insurance companies. Industrial and prudential, Bombay, Western India Satora were started. Companies like Jupiter General, New India, Vulcan Insurance Company, Hammi Insurance Company, Andhra Insurance in Machlipatnam, with the initiative of Dr. P. Sitaramaiah.

**INDIAN INSURANCE COMPANIES ACT, 1928:**

In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about life and non-life insurance business transacted in India by Indian and Foreign Insurers, including the provident insurance societies.

**INSURANCE ACT 1938:**

The government appointed an informal committee under the Chairmanship of Law member Sir N. N. Sarcar to examine the report of Mr. S. C. Sen with regard to the amendment to the insurance law in India. Finally, a draft bill was piloted by Sir N. N. Sarcar in the legislative assembly, January 1937, which resulted in the Insurance Act, 1938. The Insurance Act, 1938 governed not only life but also non-life branches of insurance to provide strict control over insurance business. The act was amended several times viz., in 1939, 1940, 1941, 1944 and 1945.

The year 1943 marked the beginning of a period of steady and progressive increase in the volume of new life insurance business i.e., from Rs. 62.94 crore in 1943; Rs. 95.20 crore in 1944 and Rs. 122.78 crore in 1945, first time that Indian Insurance crossed Rs. 100 crore mark.

Despite the record progress made by the Indian companies during these years, the fact remained that life insurance business remained essentially an urban phenomena. This limited development of insurance was however marked by many malpractices, frequent liquidation of insurance companies, shaking public confidence such a situation
prevailed despite many attempts on the part of the government to regulate and control this business by legislation.

**SIR COWASJI JEHANGIR COMMITTEE:**

In April 1945, a committee was appointed by the government, under the Chairmanship of Sir Cowasji Jehangir, to enquire into the developments in the management of insurance companies in India and to recommended measures that could be taken to check manipulation of funds, interlocking between banks and insurance companies by the financiers having acquired control of the companies and profit rating short term management policies.

The committee in its report recommended important amendments in the provisions of the insurance Act and also recommended that an insurer should not carry on any business other than insurance business. The bill was introduced in April 1946, following Sir Cowasji Jehangir Committee Report, the Insurance Act 1950 was passed by the Indian Parliament.

The Indian National Congress in 1938 appointed the National Planning Committee with Jawarhalal Nehru as its Chairman, to go into the various aspects of the National Economy and submitted a report. The committee divided its task into eight groups and formed 29 sub committees to discuss on such varied topics as agriculture; industry etc., there was a subcommittee on insurance, which was headed by Sir Chunilal V. Mehta. The subcommittee emphasized on the working of the insurance industry and discussed the concept of insurance, its potential, its place in the national economy, the scope and need for social security etc. The committee submitted its report in 1946. With the dawn of independence, the government of India spelt its approach for the economic development of the country. In 1953, Sir Jayaprakash Narayan, in a letter to the Prime Minister stated the importance of nationalization of banking and insurance sectors. The union legislature was told that the question of full or partial Nationalization of Insurance business continued to be under study. Infact 43 Loksabha members in 1954 resolved that insurance should be nationalized.
In 1946, in the Insurance year book, the controller of insurance had strongly expressed his opinion against nationalization. In 1951, the Government of India undertook a study to acquaint with the affairs of the insurance sector as a whole with a view to determine the measures necessary to place it on a sound footing. The broad appraisal showed that, life insurance business is managed neither efficiently nor with an adequate sense of responsibility. During the decade 1945-55, as many as 25 insurers went into liquidation and equal number had to transfer their business to other companies. Even amongst companies continuing to carry on business, as many as 75 were unable to declare any bonus at their last 1953-54 valuations. Obviously the insurance industry in India had failed to live up to the expectation. There were suggestions in fifties for reducing premium rates due to improved mortality and higher interest earning but they were not taken seriously. Then suddenly came the announcement from New India about downward revision in their premium rates from March 1954 by 15 percent as a Silver Jubilee gift to their policy holders. This triggered off protest from other companies and they failed to impress, with the result that every company literally reduced their premium rates to compete with each other. This rate war gave a sudden jump in new business in 1954 and 1955 but it showed larger surrender of policies as well.

At that time a dangerous trend was set in that was unhealthy practice of investments of funds mobilised. This forced the government to appoint administrators to manage the affairs of companies like Jupiter, General Empire of India. The blue book of 1953 gave a list of ten companies, for which administrators were appointed soon after the winter session of the parliament. In 1954, the AICC session held at Avadi in January 1955, formally adopted socialistic pattern of society as the objective motto. The session also urged for the nationalization of life insurance business. By 1955, over 245 insurance companies both Indian and foreign were operating in India.

The government of India took the first step towards nationalization of life insurance business in India on the 19th January 1956 by promulgating an ordinance vesting the management and control of Life Insurance Business in India in the Central Government. This was the first step taken towards the nationalization of life insurance business in India. On 20th January 1956 all life insurance companies were taken over by
43 nominated custodians. The custodians managed the insurance companies till 01.09.1956, when Life Insurance Corporation was established under the general direction and control of the Ministry of Finance².

PROFILE OF LIC RAICHUR DIVISION

Raichur division is predominantly a rural division. Geographically it is a largest division under the South Central Zone, since its inception in 1986. These areas are known as Hyderabad Karnataka region.

LIC of India’s divisional office is situated in Raichur. This divisional office is controlling, six districts viz., Bidar, Gulbarga, Yadgir, Raichur, Koppal and Bellary. The Hyderabad Karnataka area is one of the most backward areas in the state of Karnataka. Now, it is slowly catching up with other parts of Karnataka in the developmental activities.

The predominant language used here are Kannada, Urdu and Telugu. English is also well understood.

Raichur is well linked by rail and road to important cities like Bangalore, Mumbai, Chennai, Hyderabad, Ahmedabad and New Delhi. It has up-to-date telecommunication networks within the district, country and the world. Thus an account of its resources, locational advantages, friendly people and their ability to absorb modern technology.

The major occupation is agriculture and 60% total labour force is dependent on agriculture and agriculture based small industries for their livelihood. The important crops grown are cotton, jawar, ground nut, paddy, sun flower, pulses and cereals.

Raichur division is going from strength to strength fulfilling the very objective of opening a division office in a rural area by spreading the gospel of insurance to the needy and the economically and socially weaker section of the society. Raichur division is controlling the Six districts viz., Bidar, Gulbarga, Raichur, Koppal Bellary and Yadgir. While the first four districts were the part of the Hyderabad Karnataka area, the last one
was earlier part of Madras (Chennai) provision. The Hyderabad Karnataka area is one of the most backward in the state of Karnataka. Now, it is slowly catching up with other parts of Karnataka in the developmental activities.

Raichur Division is bound on the north by Nanded and Osmanabad districts of Maharashtra, on the east Nizamabad, Medak, Maheboob Nagar and Rangareddy districts of Andhra Pradesh, on the south by Karnool district of Andhra Pradesh and Bellary district of Karnataka state and the west by Bijapur and Dharawar districts of Karnataka state. The Six districts in Hyderabad Karnataka are viz., Bidar, Gulbarga, Bellary Koppal Raichur and Yadgir were previously a part of Hyderabad state and later integrated with the Mysore state (Now Karnataka) which comes in to existence on first November 1956.

This area has contributed for the reformist movement in the state of Karnataka. The “Vachana” of Basaveshwara, Akkamahadevi and Allamprabhu have contributed more for the reformist movement. Industrialization is taking place at slow pace and the Raichur division has major sugar factories. Raichur division was not industrialized for a very long time and only recently. This division has seen the arrival of several industrial centers. There are engineering colleges and medical Colleges run by the private institutions in the area. Additionally, there are several other educational institutions (managed by both Christian Missionaries and other communities). There is an Indian Air Force station in Bidar, which was the Elementary Flying School (This has now been transferred to Secunderabad). The main occupation of the people raichur division is agriculture. Sugarcane, jowar, tur, wheat are the main crops.

**CLIMATE RAIN AND SOIL IN THE STUDY AREA**

The climate of the Raichur division is generally dry and healthy with an annual rainfall of about 750 mm. The entire area is situated in Deccan and the general elevation ranges from 300 to 700 meters above mean sea level, main rivers, are namely Krishna and Bhima. Black soil is predominant soil type in the division. In this division, there are a large number of tanks, in addition to the river irrigated land. The Upper Krishna Project is major irrigation venture in the area. Bajra, sunflower, tur, sugarcane, groundnut, sesame, castor, bean black gram, jowar, wheat, cotton, and linseed are grown in the
Raichur division. This division is industrially backward, but is presently showing signs of growth in the cement, textile, and chemical industry.

The weather in the Raichur division consists of three main seasons. The summer spans from late February to mid-June. It is followed by the south west monsoon, which spans from late June to late September. Temperature during the different season: varies from 11°C in winter to 46°C in summer and 27 to 37°C monsoon, and the winter season is from December to February. During this period the weather is generally mild and not oppressive.

Soil

The soil condition of Hyderabad Karnataka varies from district to district. Major portion of Gulbarga and Bidar districts have deep black soil, few parts of Bidar district have laterite soil. On the other hand the district of Raichur, Koppal and Bellary district are covered by the reddish, sandy soil, the light green loamy soil and reddish brown soil.

Rivers

Karanja, Bheema, Krishna, Tungabhadra are the major rivers of the Hyderabad Karantaka Region. These rivers have lot of irrigation potentials, which have to be exploited to supply water to the vast agricultural land of the region.

Mineral Resources

The important mineral resources available in the region includes such as Limestone, Gypsum, Quartz, Stearits, Bauxite, Kaolin, Redochre, white quartz, iron ore, manganese. The most important mineral of Gulbarga district is the Limestone, which is found in Chittapur, Sedam, Chincholi, Shahapur, Shorapur and Jewargi covering about 1500 Sq. miles. Large deposits of Kaolin are located in Bidar district. About 2500 tonnes of good Kaolin clay is estimated to be available in the district. The most important mineral available in Raichur district is gold, next to Kolar district. Raichur is the only other district which possesses gold reserves in the state. The district has the prestigious Hatti Gold Mines and the reserves of gold are estimated to be of 4011 lakh tonnes. Bellary district has been endowed with iron ore and manganese. As a result,
number of industrial units such as world famous ACC at Wadi in Gulbarga district, Hatti Gold Mines in Raichur, Sandur Manganese Company at Sandur in Bellary district. Jindal iron company at Hospet in Bellary district have come up in the Hyderabad Karnataka region.

Density

According to 2001 census the density of population of Raichur division is 215 which is lower than the density of population of Karnataka (275). However, the density of population is not uniform throughout the region.

<table>
<thead>
<tr>
<th>Districts</th>
<th>Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bellary</td>
<td>290</td>
</tr>
<tr>
<td>Bidar</td>
<td>313</td>
</tr>
<tr>
<td>Gulbarga</td>
<td>198</td>
</tr>
<tr>
<td>Raichur</td>
<td>228</td>
</tr>
<tr>
<td>Koppal</td>
<td>250</td>
</tr>
<tr>
<td>Yadgir</td>
<td>223</td>
</tr>
</tbody>
</table>

**Source:** Government of Karnataka, Directorate of Economics and Statistics, Bangalore, Karnataka at a glance, 2013-14.

In the above table indicates that, Bidar is thickly populated district with density of population 313 per Sq. Kms. Gulbarga is the thinly populated district with density of 198 people per Sq. Kms.\(^4\)

**Literacy level**

The level of education in the division is low. The district wise literacy of both male and female population is also low compared to the state average as well as other divisions in Karnataka state.
Table-2.2

Level of literacy in Raichur division

<table>
<thead>
<tr>
<th>Districts</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELLARY</td>
<td>76.64</td>
<td>58.09</td>
<td>67.43</td>
</tr>
<tr>
<td>BIDAR</td>
<td>79.29</td>
<td>61.55</td>
<td>70.51</td>
</tr>
<tr>
<td>GULBARGA</td>
<td>69.08</td>
<td>46.86</td>
<td>58.09</td>
</tr>
<tr>
<td>KOPPAL</td>
<td>78.54</td>
<td>57.55</td>
<td>68.09</td>
</tr>
<tr>
<td>RAICHUR</td>
<td>70.47</td>
<td>48.73</td>
<td>59.56</td>
</tr>
<tr>
<td>YADGIR</td>
<td>62.25</td>
<td>41.38</td>
<td>51.83</td>
</tr>
</tbody>
</table>

Source: 2011 census

It is evident from the above table that Bidar district has highest rate of literacy (7.51 percent) among the other district. Yadgir has lowest literacy rate i.e., 51.83 percent. The male and female literacy rate is not uniform among the districts of the division. Bidar again leads with 79.29 percent of male and 61.55 percent of female literacy whereas Yadgir lacks behind with 62.25 percent of male and 41.38 percent of the female literacy.

Educationally the district has better facilities. There are colleges of Engineering, Medicine, Nursing, Dental sciences, Postgraduate courses, Agricultural sciences, Business Management etc. catering to the needs of higher education.

AGRICULTURE:

Agriculture is a basic occupation as it provides food to all without which nobody can survive. It is backbone of the country. Agricultural economy is characterized by extremely unequal distribution of the vital resource that is land. As a result only a small proportion of the people have access to this key economic resource, forcing most people to rely on their power to earn a livelihood. Thus, a large proportion of man power, which could contribute to the vitality of the economy, is kept idle since no alternative employment opportunities are available. Nor can they be created to provide the means of
livelihood to the poor as long as agricultural economy retains its primacy. Moreover the fact that agricultural productivity is too low to satisfy even the subsistence needs of a large proportion of people adds to its downfall.5

The living conditions of a large proportion of the people remains highly depressed rendering them unable to meet even their subsistence needs due to the nature of agricultural economy. Lacking the resource necessary to improve their own life conditions they also are unable to do anything to brighten the life chances of their progeny. Even if the new opportunities available for mobility, they remain out of reach for poor because of lack requisite resources necessary for availing the opportunities. It is predominantly an agricultural area divided into two agro climatic zones namely eastern transition and north eastern dry zone. The zones indicate the predominance of rain dependent dry land agricultural area. The normal rainfall of the division is 777 mms.

**Importance of Land Holdings**

Access to land in an agriculture-based rural economy is important because land is a primary means and instrument of production. The social distribution of land in a village economy determines the economic position and power relations between different social groups. In this context it is important to distinguish land used for productive purposes from land that is not used directly for agricultural production, land used for income bearing activities, for example cropland, plantations and orchards constitute productive agricultural land, while house site land, fallow and barren lands are categories of land not used directly for productive purposes.

**EDUCATION:**

Education plays an important role in socio-economic development of a given population. Recent studies and thesis have also highlighted the significant role of education in promoting economic development. Today, education is considered as a basic need and is also accepted as an important indicator of human development. However, it is essential to promote human development to build up of human capital.6
TABLE – 2.3
STATISTICS OF HIGHER AND TECHNICAL EDUCATION
IN RAICHUR DIVISION

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particular</th>
<th>Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of Arts &amp; Science Colleges</td>
<td>250</td>
</tr>
<tr>
<td>2.</td>
<td>No. of Engineering Colleges</td>
<td>09</td>
</tr>
<tr>
<td>3.</td>
<td>No. of High Schools</td>
<td>589</td>
</tr>
<tr>
<td>4.</td>
<td>B. Ed. Colleges</td>
<td>58</td>
</tr>
<tr>
<td>5.</td>
<td>Teacher Training Institutes</td>
<td>58</td>
</tr>
<tr>
<td>6.</td>
<td>Indian System of Medicine</td>
<td>07</td>
</tr>
<tr>
<td>7.</td>
<td>Dental Colleges</td>
<td>06</td>
</tr>
<tr>
<td>8.</td>
<td>Industrial training institutes</td>
<td>84</td>
</tr>
<tr>
<td>9.</td>
<td>Polytechnics</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Hyderabad Karnataka Development report 2013

POPULATION:

Table No. 2.4 showing the total population as per the 2011 Census in the study area. The Table shows the size of population in Raichur division. The total population of the districts is 1,12,15,224, out of this, male population is 56,64,140 and of female population is 55,51,084. Among all the districts in the Raichur Division, the highest population is in Gulbarga District i.e., 25,66,326. Next comes Bellary district with 24,52,595. The highest male and female population is also in Gulbarga i.e., 13,01,755 and 12,64,571.
TABLE - 2.4
POPULATION OF RAICHUR DIVISION

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bidar</td>
</tr>
<tr>
<td>1</td>
<td>Total population</td>
<td>17,03,300</td>
</tr>
<tr>
<td>2</td>
<td>Male population</td>
<td>8,70,665</td>
</tr>
<tr>
<td>3</td>
<td>Female population</td>
<td>8,32,635</td>
</tr>
<tr>
<td>6</td>
<td>Rural Population</td>
<td>12,77,348</td>
</tr>
<tr>
<td>7</td>
<td>Urban Population</td>
<td>4,25,952</td>
</tr>
<tr>
<td></td>
<td>Sex Ratio</td>
<td>961</td>
</tr>
</tbody>
</table>

Source: Census 2011
References:

1) Planning and Performance budgeting for divisional and Branch Offices, Southern Zone, LIC of India, Madras, 1986, p. 12-15.

2) Karnataka State Gazetteer, Bidar district, Government of Karnataka, Bangalore, 1977.


4) www.profileofgulbargadistrict.com

5) Office Record of Raichur division.