ANALYTICAL STUDY OF THE FINANCIAL PERFORMANCE OF SELECTED PRIVATE LIFE INSURANCE COMPANIES IN INDIA

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Abstract: After liberalization of Indian economy and with the enactment of Insurance Regulatory and Development Authority (IRDA) regulations in the year 2000, the entry of number of private sector life insurers have brought radical changes in the Life insurance market in India and it is at this juncture it has become essential to study the Profitability, Solvency and Liquidity performance of these companies. Three private sector life insurance companies have been selected from the annual report of IRDA for the purpose of study which have the period of seven years from 2010-11 to 2016-17. Out of the company selected for study it revealed that in terms of asset turnover and liquidity HDFC Standard outperforms the other two. In terms of operating efficiency, TATA AIA performs better as compared to HDFC Standard and Sahara Life. At last we also find that HDFC Standard has the most amount of its total assets blocked in fixed assets which reduces the liquidity of the company.

Keywords: Profitability, Solvency, Liquidity, Public Sector Companies; Insurance Companies; Public Disclosure Analytical Ratio; Financial Performance

1. INTRODUCTION

The Indian insurance industry is preparing for a new era by developing risk management capabilities that are on par with the best in the world. The insurance industry in India has completed a full revolution, going from being an open and competitive market to being completely nationalized and then returning to being a liberalized market. The economy, trade, and commerce are all made much more stable by the presence of insurance. Before the advent of private insurance, the life insurance industry in India was not very established, and the only company that actively participated in it was the state-owned LIC. Customers in India, who have traditionally seen life insurance as a method for reducing their taxable income, are all of a sudden shifting their attention to the private sector and purchasing the newest and most cutting-edge products that are available. The private firms have successfully grabbed some market share away from the LIC, which has contributed significantly to the overall development of the industry. The industry currently faces its greatest obstacle in the form of low levels of market penetration and a general dissatisfaction among consumers. Insurance industry in India has gone a long way from being a nationalized to a liberalized market.

The insurance industry in India has had a remarkable development pattern during the time period, and it has been subject to a significant amount of influence from other nations, particularly England. Up until the latter half of the 1990s, when the insurance market was finally opened up to private competition in the year 2000, the Life Insurance Corporation had dominated the industry. Before the business was privatized, there were only two national companies operating inside it: the "Life Insurance Corporation" and the "General Insurance Corporation." The following four subsidiaries of GIC were spun off and established as distinct companies in December of the year 2000: "Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited, and United India Insurance Company Limited." Since the year 2000, the General Insurance industry in India has seen an increasing development pattern. This is likely due to the fact that the government that was in power at the time permitted private enterprises and up to 26% Foreign Direct Investment. Recent events have resulted in the Cabinet increasing it to 49%, up from 26% before. During this period, there was an increase in the number of people purchasing witness insurance over the course of around 200 years. In India's general insurance industry, which also includes ECGC and Agriculture Insurance Corporation of India, there are a total of twenty-eight businesses, four of which are considered to be public corporations. This industry is a massive one that makes a significant contribution to the nation's gross domestic product, and its annual growth rate is now between 15% and 20%. According to the IRDA report, the following was the insurance penetration and density in 2016: 59.70% of People Are Covered by Insurance (USD) 3.49% of people have insurance.

2. LITERATURE SURVEY

Dey, Adhikari and Bardhan (2015), undertook a research to uncover firm-specific factors that would have an influence on the financial performance of the Life Insurance Company of India in order to find out the results of the study. In order to carry out the research, information spanning a period of ten years, from 2003–2004 to 2012–2013, was collected from thirteen different life insurance firms in India. Ratios, such as Return on Equity (ROE), Liquidity ratio, and Solvency ratio, were used for the purpose of conducting research and analysis. We made use of many statistical methods, such as models of multiple regressions. According to the findings of the research, there is a weak but favorable association between tangibility and liquidity and financial success.

Srivastava and Prakash (2016) have conducted research to analyze and evaluate how public and private life insurance firms in India perform relative to one another, In order to carry out the research, information spanning a period of ten years, from 2005-06 to 2014-15, was collected from each of India's 24 life insurance firms. Statistical methods, such as trend analysis, growth rates, and the Mann–Whitney U–test, were used in order to carry out the study. According to the findings of the research, LIC maintains a strong market share with 73% of the business share as of the total premium revenue in the fiscal year 2014–2015. Competition is very high as a result of the presence of twenty-four private insurance firms that have gained a footing in the market. When compared to the public sector, the pace of expansion for private insurance businesses is much greater.

Jena (2014) has conducted research to investigate the financial security and overall performance of a selection of life insurance businesses in general. In order to carry out the research, information spanning a period of five years (2008 to 2012) was taken into consideration from five different life insurance firms in India. The current ratio, the liquidity ratio, the absolute liquidity ratio, and the debt equity ratio were the ratios that were used for the purpose of conducting analysis. According to the findings of the research, the chosen insurer needs to maintain sufficient financing via an appropriate balance of ownership and funds from outsiders.

Hook, n.d. in his research article, "The phrase "the insurance business has evolved over time" refers to the discovery that factors such as technology, regulation, disintermediation, and globalization have each had their own impact on the industry over the course of the previous few decades. Today, it is up against a large number of obstacles, and there is no lack of occurrences that are capable of disturbing its basis. The growth of knowledgeable customers in a market place encourages consumers to make informed decisions and leads to an increasing number of people signing up for insurance. The growing rate of people signing up for insurance may assist product manufacturers with effective risk management, allowing them to reap the advantages of a more competitive and stable financial market as well as economic expansion.

Basir Ahmad Joo in his research paper, According to an analysis of the financial stability of Indian non-life insurance companies, the Indian insurance market was attacked by the presence of MNC following the privatization of the insurance sector in the year 2000. This poses both risks and opportunities for the public companies that are already in operation. The research article focuses on the connection between the claim ratio and business size as it relates to the solvency status of the organization. Multiple regression analysis was the method of study that was utilized for the process of analyzing the data.

Rajesh K. Yadav and Sarvesh Mohania in their research paper, "The article "Impact of Foreign Direct Investment on the Life Insurance Sector in India" explained how the presence of FDI in the Indian insurance sector contributes to an improvement in the sector's overall performance. In addition to this, it discusses the outflow of money (in Indian currency), which is something that the RBI and IRDA need to monitor closely. The information used in the study came from IRDA's most recent annual report, which was compiled by our team.

Ms. Tnr. Kavitha, Dr. A. Latha and Ms. S.Jamuna in their research paper, "The article "Consumers' Attitude Towards General Insurance: A Factor Analysis Approach" investigated the attitude of customers towards the insurance that is provided by general insurance firms. The opinions of 750 policy holders were gathered using a 5-point scale. The research contributes to a better understanding of the expectations that shareholders have of general insurance businesses.

3. OBJECTIVES OF THE STUDY

- To evaluate the profitability of select life insurance companies in India.

- To evaluate the solvency of select life insurance companies in India.

- To evaluate the liquidity of select life insurance companies in India

4. RESEARCH METHODOLOGY

For this study, only information that has been gathered in the past was used. The present study will last for a total of seven years, starting in the 2010-2011 academic year and concluding in the 2015-2016 academic year. The three life insurance companies HDFC Standard, TATA AIA, and Sahara Life were selected at random in order to evaluate the financial performance of a variety of life insurance businesses in India. There are now 23 active life insurance firms operating in the country of India. The total net premium of all the companies was determined using an IRDA report for the period of seven years beginning in 2010-2011 and ending in 2015-2016. Their ranks were determined based on average net premium during the period of study. This was done in order to select three private sector life insurance companies out of a total of twenty-three private sector life insurance companies. This was done in order to choose three different life insurance firms operating in the private sector. These companies may be categorized as belonging to one of three distinct groups according to their respective rankings:

A) Large Size

B) Medium Size and

C) Small Size

5. DATA ANALYSIS

The results of the research are presented in which the Return on Assets of three different life insurance firms are compared. Return on assets was at its best in the years 2013-2014 and 2014-2015 for HDFC Standard Life, while it was at its lowest in the year 2010-2011 for the same company. In a manner similar, the Return on Assets for TATA AIA was at its best point in the fiscal year 2013–2014, while it fell to its lowest point in the fiscal year 2015–2016. Similarly, the Return on Assets for Sahara Life was at its best in the years 2010-2011 and 2012-2013, while it was at its lowest in the year 2015-2016. This trend was seen throughout all three years. Sahara Life has the greatest value of mean Return on Assets, followed by TATA AIA and HDFC Standard. Sahara Life has the highest value of mean Return on Assets. The values of the standard deviation suggest that, out of the three firms chosen for the research, HDFC Standard has the most consistent performance, while Sahara Life has the performance that is the least constant.
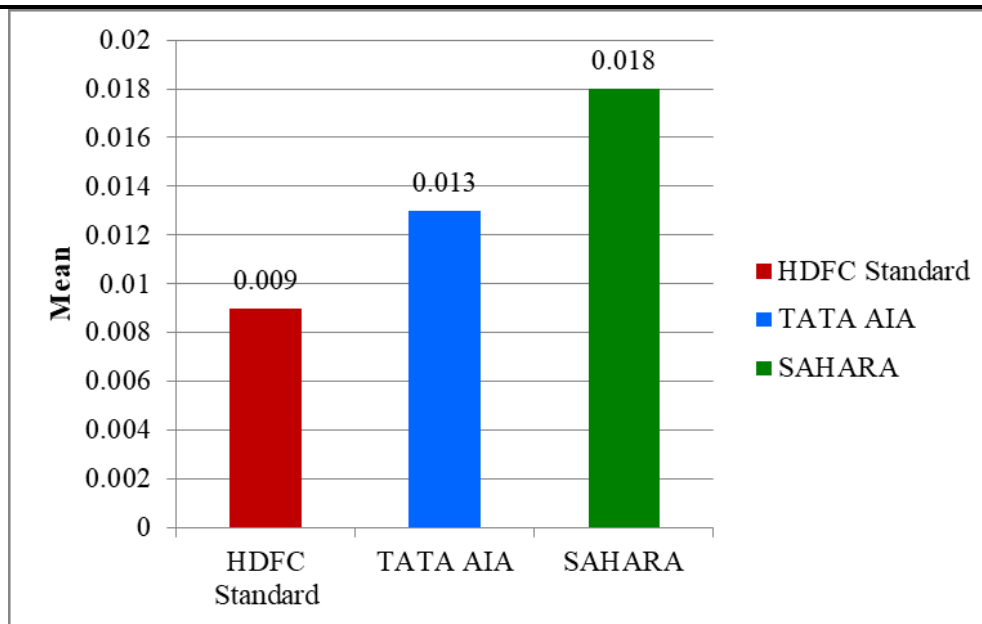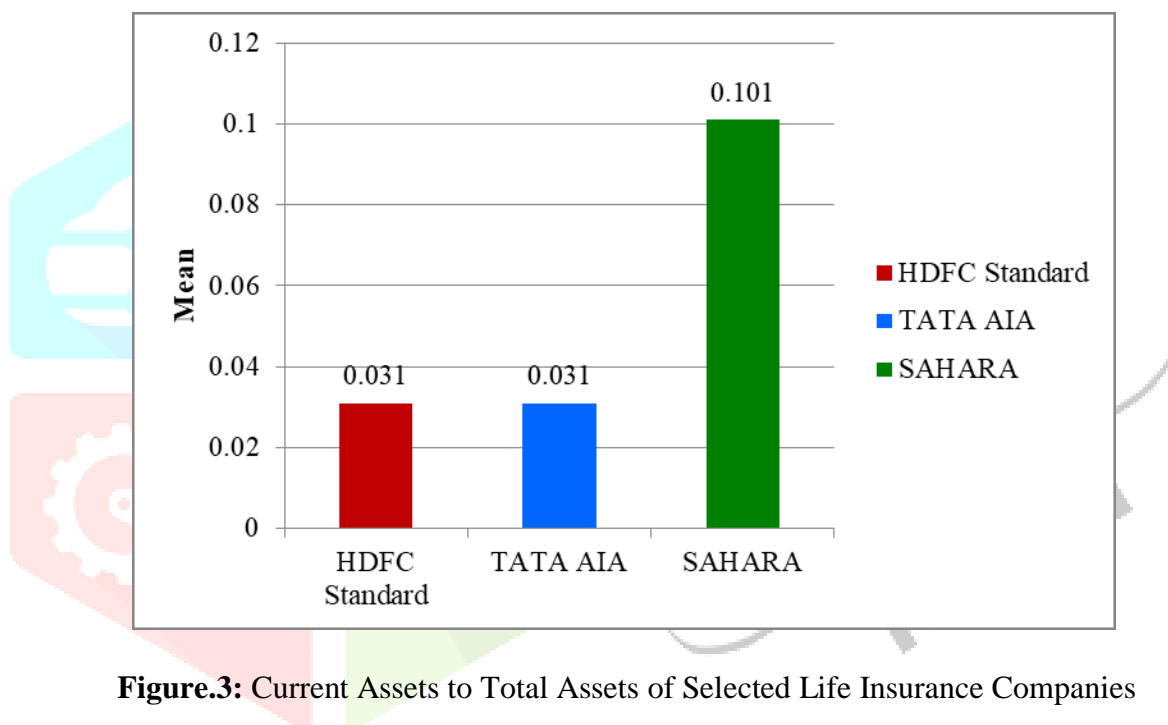
Figure 1: Return on Assets of Selected Life Insurance Companies

The current ratios of the three life insurance firms that were chosen for the research are shown in figure 2. For HDFC Standard Life, the current ratio reached its all-time peak in the year 2013-14, and it reached its all-time low in the year 2015-16. In a manner analogous, the current ratio for TATA AIA is the highest it has ever been in the year 2015-16, while the same ratio is the lowest it has ever been in the year 2015-16. Similarly, in the case of Sahara Life, the current ratio reached its greatest point in the 2015–2016 fiscal years, while it reached its lowest point in the 2013–2014 fiscal years. Sahara Life has the greatest values of mean of current ratio, followed by HDFC Standard and TATA AIA. Sahara Life has the highest values of mean of current ratio. The values of the standard deviation suggest that, out of the three firms chosen for the research, HDFC Standard has the most consistent performance, while Sahara Life has the performance that is the least constant. The study was conducted in India.
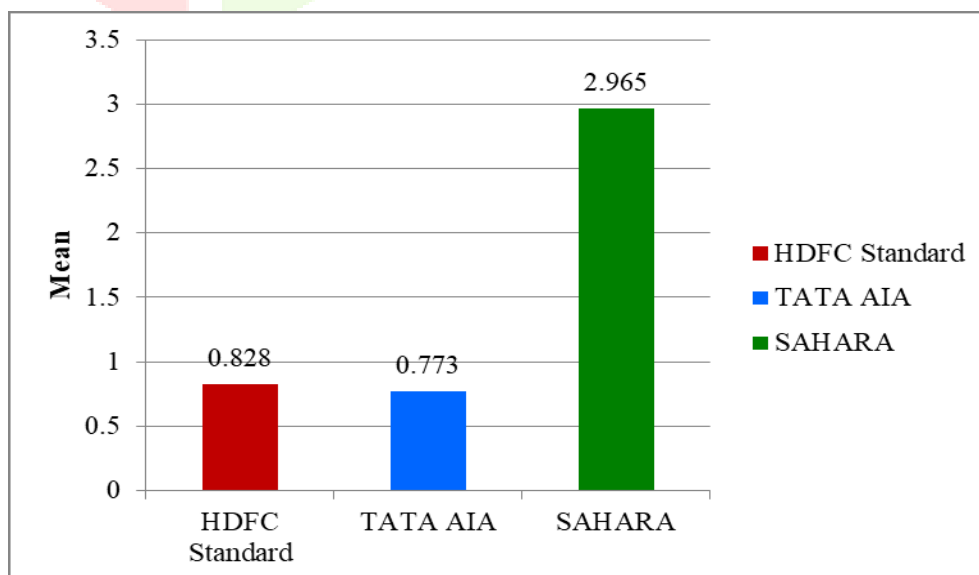
Figure 2: Current Ratio of Selected Life Insurance Companies

The ratio of the current assets held by each of the three life insurance firms that were chosen for the research is shown in Figure 3. In the case of HDFC Standard life, the ratio of current assets to total assets was at its maximum point in 2010-2011 and 2011-2012, while it was at its lowest point in 2015-2016. This ratio has fluctuated significantly throughout the years. Comparatively, the ratio of current assets to total assets was at its greatest in the year 2015–16 for TATA AIA, while it was at its lowest in the year 2013–14 for the same ratio. In the same vein, the ratio of current assets to total assets was at its greatest in the year 2016-2017 for Sahara, while it was at its lowest in the year 2010-2011 for the same ratio. Sahara Life has the greatest value of mean current asset to total asset, followed by TATA AIA and HDFC Standard. Sahara Life has the highest value of mean current asset to total asset. The values of the standard deviation suggest that, out of the three firms chosen for the research, HDFC Standard has the most consistent performance, while Sahara life has the performance that is the least constant. The study was conducted in India.

Figure.3: Current Assets to Total Assets of Selected Life Insurance Companies

6. CONCLUSION

The purpose of this research was to investigate the financial standing of a number of private Indian life insurance businesses. Because insurance companies not only offer a mechanism for saving money and transferring risk, but also help to channel funds in an appropriate way from surplus economic units to deficit economic units in order to support investment activities in the economy, measuring the performance of insurance companies has gained increased relevance. This is because insurance companies not only offer a mechanism for saving money and transferring risk, but also help to channel funds in an appropriate way. Because of the potential impact that the success of individual enterprises might have on the economy as a whole, empirical research is essential for evaluating financial performance. The profitability ratio, the solvency ratio, and the liquidity ratio are some of the financial ratios that have been computed for the purpose of assessing the success of the company's finances. According to the findings of the research,

HDFC Standard performs better than the other two in terms of the turnover and liquidity of its assets. When compared to HDFC Standard and Sahara Life, TATA AIA achieves a higher level of operational efficiency than both of those competitors. Last but not least, we came to the conclusion that HDFC Standard has the largest proportion of its total assets tied up in fixed assets, which decreases the company's liquidity.

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