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FINANCIAL PERFORMANCE OF PUBLIC & PRIVATE LIFE INSURANCE COMPANIES IN INDIA: A COMPARATIVE STUDY

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Abstract: Life insurance is an important from of social security. This study has been undertaken to comparison between top private and public life insurance companies in India. Insurance is been a vital part of the Indian financial system. This study use descriptive research methodology by secondary data and data collected from the annual report of LIC, HDFC, SBI & ICICI from their official websites. This article refers to the profitability on the basis of market capitalization. The present report highlights the financial performance of LIC, HDFC, SBI & ICICI Prudential life insurance companies in India.

Keywords: LIC, HDFC, SBI, ICICI Prudential Life Insurance, Financial Performance, Ratios.

INTRODUCTION

Insurance is the backbone in managing the risk of the country. The insurance companies provide a variety of goods to businesses, protecting them from danger and assuring their financial stability. It aids individuals and organisations in reducing the effects of risk, which has a substantial impact on the expansion and development of the insurance sector. The Indian insurance industry has completed a full circle, transitioning from an open, competitive market to full nationalisation and back to a market that is liberalised. The stabilisation of the economy, trade, and commerce is greatly aided by insurance. Prior to the introduction of private insurance, India's undeveloped life insurance industry was solely penetrated by the state-owned LIC. Customers in India, who have always viewed life insurance as a tax-saving strategy, are now shifting to the private sector and purchasing the new, cutting-edge products on offer. Market expansions have led to significant growth, and the Private firms have displaced some LIC market share. The lack of consumer happiness and poor levels of penetration are the industry's major problems right now. The Indian insurance industry has seen significant change from being a nationalised market to a liberalised one.

REVIEW OF LITERATURE

1) Ranjit Roy and Dr. Kingshuk Adhikari, 2015, was conducted a study with aim to indentify the determinant of profitability of life insurance industry. The study covers a period of six years i.e., from 2008-09 to 2013-14. Data collecetion of this research totally based on secondary sources for analysing the profitability, Solvency ratio, liquidity ratio and statistical tool used to find the position of both industry, And finding of the study In terms of profitability, ICICI Prudential Life Insurance Company has performed better than Kotak Mahindra Life Insurance, in terms of solvency kotak Mahindra life insurance company is better than ICICI prudential life insurance.

2) Mr. Dipjoy Langthasa, April 2021, This research paper mainly focussed on Profitability, Solvency, and Liquidity of selected life insurance company. The study is based on secondary data. The present study covers a period of seven years, from 2010-2011 to 2016-2017. The analysis showed that HDFC Standard performs better than the other two in terms of assonet turnover and liquidity. Compared to HDFC Standard and Sahara Life, TATA AIA performs better in terms of operational efficiency. Finally, we see that HDFC Standard has the largest portion of its total assets blocked in fixed assets, which lowers the company's liquidity.

3) Joseph Oscar Akotey, 2013, The purpose of the study was to evaluate the financial performance of the life insurance market in a developing country and to look at the correlation between the three profitability indicators for insurers: investment income, underwriting profit, and total (total) net profit. The yearly financial statements of ten life insurance companies, which covered an 11-year period from 2000 to 2010, were used by the researcher. They were sampled and analysed using panel regression. According to the research, premiums are positively correlated with insurance companies' sales profitability, negatively correlated with investment income, and life insurers have been suffering significant underwriting losses as a result of overtrading and price undercutting.

4) Dr. Sumninder Kaur Bawa and Samiya Chattha, 2013, The study's primary goals were to assess the financial performance of a sample of life insurers over the time period covered by the study and to ascertain the effects of liquidity, solvency, leverage, size, and equity capital on life insurers' profitability. The analysis was based on secondary information that was gathered from IRDA yearly reports.The study's time frame was 5 fiscal years, from 2007-2008 to 2011-2012. For each life insurer, the researcher calculated financial ratios such the current ratio, solvency ratio, return on asset ratio, and leverage ratio. The study's key finding was that public sector participant LIC has a strong liquidity position relative to other life insurers.

5) R. Sukithar, Jan 2016, This research is mainly focussed on to understand last 10 years data, how private sector increased competitive environment and how they ease the life insurance for customer as well as economy. This research is based upon descriptive as well as exploratory. This study conclusion is that private secotor companies growing rapidly if public sector companies wants a growth they have change certain reforms like ease of claim process and decrease insurance premium price and give better facility to customers.

OBJECTIVE OF THE STUDY

The present study made an attempt to examine the financial performance of life insurers in Indian insurance industry.

1) To compare the profitability performance of selected Public and private life insurance company in India.

2) To compare the solvency performance of selected Public and private life insurance company in India.

3) To compare the liquidity performance of selected Public and private life insurance company in India.

RESEARCH METHODOLOGY

Sampling Method:

The study covers 4 Life insurance companies operating in India but due to non-feasibility and time constraint, the scope of the study has been restricted to four life insurance companies based on its date of establishment.

Period of Study:

The study period from 2017-18 to 2021-22, the number of years of study is six years.

Public & Private Life Insurance Companies	
Sr. No.	**Insurance Companies**
1	Life Insurance Corporation of India
2	HDFC Life Insurance Co. Pvt Ltd
3	SBI Life Insurance Co. Ltd
4	ICICI Prudential Life Insurance Co. Ltd.

Data Collection:

This study is based secondary data. The secondary data was collected from various books, journals published reports of IRDA, IRDA annual reports, annual reports of Life insurance companies and websites.

ANALYSIS AND INTERPRETAION OF THE STUDY

a) Current Ratio:

This study is based secondary data. The secondary data was collected from various books, journals published reports of IRDA, IRDA annual reports, annual reports of Life insurance companies and websites.

Current Ratio of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	2.53	0.76	1,83	0.79
2018-2019	3.11	0.79	1.78	0.91
2019-2020	2.17	0.87	1.93	1.15
2020-2021	2.16	0.76	29.11	1.04
2021-2022	2.68	0.84	29.21	0.93

According to the explanation given above, we may observe a progressive decline in the LIC current ratio as compared to HDFC, SBI, and ICICI. So, we might claim that LIC has a harder time meeting its short-term obligations than private life insurance businesses.

b) Liquidity Ration:

This ratio is also termed as Acid-test ratio. A Quick ratio is concerned with, the relationship between quick assets and current liabilities.

Liquidity Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	2.50	3.00	1,83	0.79
2018-2019	3.10	0.79	1.78	0.91
2019-2020	2.20	0.87	1.93	1.15
2020-2021	2.20	0.76	29.11	1.04
2021-2022	2.70	0.84	29.21	0.93

LIC and SBI have a higher liquidity ratio than other life insurance companies, but HDFC and ICICI life insurance are facing difficulty meeting their short-term obligations and liabilities.

c) Debt-to-Equity Ratio:

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. Closely related to leveraging, the ratio is also known as risk, gearing or leverage.

Debt to Equity Ratio Of Life Insurance Company				
YEAR	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	0.00	0.00	0.00	0.00
2018-2019	0.00	0.00	0.00	0.00
2019-2020	0.00	0.00	0.00	0.00
2020-2021	0.00	0.05	0.00	0.10
2021-2022	0.00	0.04	0.00	0.13

Because capital-intensive industries need more property, plants, and equipment to function, they often have greater debt-to-equity ratios than low capital industries. Owing to the low capital requirements of the life insurance sector, all four companies' debt to equity ratios in the table are nearly nil, but these businesses nonetheless struggle to make use of their available equity and borrowing capital.

d) Net Profit Margin Ratio:

Net profit margin, or net margin, is equal to net income or profits divided by total revenue, and represent how much profit each dollar of sales generates. Net profit margin is the ratio of net profits or net income to revenues for a company, business segment or product.

Net Profit Margin Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	99.45	3.43	3.40	4.17
2018-2019	99.43	3.32	2.98	2.75
2019-2020	99.47	4.41	3.24	5.08
2020-2021	0.42	1.90	1.77	1.15
2021-2022	0.56	1.84	1.81	1.21

The net profit margin is continuously monitored. In general, a variety of issues, such as diminishing sales, a bad customer experience, or insufficient spending management, may be to blame when a company's net profit margin is reducing over time. The four life insurance firms' net profit margin ratios have decreased over the last year, which suggests that these businesses have issues with sales, poor client service, and ineffective expenditure management.

e) Return On Capital Employed:

ROCE is used to prove the value the business gains from its assets and liabilities. Companies create value whenever they are able to generate returns on capital above the weighted average cost of capital (WACC).

Return On Capital Employed Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	0.08	1.16	1.36	1.52
2018-2019	0.08	1.15	1.20	0.89
2019-2020	0.08	0.98	1.36	0.91
2020-2021	0.29	1.01	0.79	0.64
2021-2022	0.33	0.65	0.96	0.44

On the basis of an above analysis, return on capital employed ratio continuously increasing trend in LIC, so that we could said that management of LIC is able to manage their fund efficiently compare to HDFC, SBI, & ICICI life Insurance.

f) Return On Equity Ratio:

Return on equity (ROE) is a financial ratio that shows how well a company is managing the capital that shareholders have invested in it.

Return On Equity Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	376.13	23.35	17.62	23.60
2018-2019	396.13	22.57	17.51	16.24
2019-2020	366.81	19.06	16.26	14.80
2020-2021	45.60	12.15	11.09	7.92
2021-2022	38.84	7.80	12.95	8.25

On the basis of above analysis, return on equity ratio of LIC, HDFC & SBI life insurance company are good while they are providing good amount return to their shareholder but ICICI prudential life insurance are gradually decreasing over the year so its indicates that the company becoming less efficient at creating profit and increasing shareholder value.

g) Return On Asset Ratio:

The term return on assets (ROA) refers to a financial ratio that indicates how profitable a company is in relation to its total assets. Corporate management, analysts, and investors can use ROA to determine how efficiently a company uses its assets to generate a profit.

Return On Asset Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	0.08	1.00	0.94	1.14
2018-2019	0.08	0.98	0.90	0.69
2019-2020	0.08	0.98	0.85	0.68
2020-2021	0.07	0.75	0.64	0.44
2021-2022	0.09	0.57	0.55	0.30

On the above analysis, we have seen that LIC has stable return on asset ratio as compared to private life insurance companies.

h) Earning Retention Ratio:

Earning retention ratio that measures the amount of earnings retained after dividends have been paid out to the shareholders.

Earning Retention Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	1.01	75.37	82.62	38.86
2018-2019	1.04	74.25	84.93	38.34
2019-2020	0.56	0.00	0.00	68.43
2020-2021	0.00	0.00	82.83	0.00
2021-2022	0.00	66.18	86.72	61.91

Retention ratio is a fundamental analysis ratio that indicates the amount of profit that is retained back into the business for future growth of the business. It increases the retained earnings of the company. On the above analysis we seen that public life insurance company is not retaining his profit, so it indicates the LIC has not further future plan to grow his business. But in privare sector company HDFC, SBI & ICICI are retaining average 70% of the profit so it indicates that they are performing well.

i) Asset Turnover Ratio:

Asset turnover ratio is the ratio between the value of a company's sales or revenues and the value of its assets. It is an indicator of the efficiency with which a company is deploying its assets to produce the revenue.

Asset Turnover Ratio Of Life Insurance Company				
Year	**LIC**	**HDFC**	**SBI**	**ICICI**
2017-2018	0.00	0.31	0.30	0.29
2018-2019	0.00	0.32	0.33	0.27
2019-2020	0.00	0.22	0.28	0.13
2020-2021	0.19	0.46	0.42	0.45
2021-2022	0.18	0.34	0.33	0.27

On the above analysis we observed that asset turnover ratio of public sector life insurance company is good as compared to the private sector life insurance company, so it indicates that the LIC is not deploying his asset to generate sales and revenue. while private sector are doing well.

CONCLUSION

The study has aimed that to analyze the financial performance of selected Indian life insurance companies by analyzing the determinants of their profitability, measuring the performance of selected insurance companies through Profitability, Liquidity & Solvency ratio. Liquidity performance of companies can affect economy as a whole and therefore it requires empirical analysis to judge the performance. For measuring the financial performance current ratio, ROCE, Debt to equity , Net profit margin & asset turnover ratio. The study found that in order to sustain liquidity and current ratio, LIC must pay liabilities, use long-long term financing, and manage receivables and payables appropriately. According to this study, LIC, HDFC, and SBI do not use debt financing since their capital costs are rising. I thus advise them to start doing so in order to benefit their stakeholders. Our study has also led us to the conclusion that public sector life insurance businesses are not utilising their resources as efficiently as private sector companies, which is why they are not producing as much sales and revenue. Thus, I advise LIC to handle and utilise capital in a responsible manner.

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