



A COMPARATIVE STUDY ON PROFITABILITY ANALYSIS OF SELECTED PUBLIC AND PRIVATE LIFE INSURANCE COMPANIES OF INDIA

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ABSTRACT

The purpose of the study is to understand A comparative study of financial performance in relation with profitability aspect of public and private Insurance companies in India. The Profitability ratios indicate how efficiently a business will be able to generate revenues and profits through its operations. Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time. Profitability ratios are financial metrics used by analysts and investors to measure and evaluate the ability of a company to generate income (profit) relative to revenue, balance sheet assets, operating costs, and shareholders' equity during a specific period of time. The period of study would be ten years during 2010-11 to 2019-20.

KEYWORDS : Financial Performance, Profitability, Public and Private Insurance Companies

INTRODUCTION

A comparative study of financial performance is the analysis process of financial statements. If we want to know about financial performance of any company, financial statements are the best way to get the financial information.

According to Metoalf and Titard, "Analysis of financial performance is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance".

Profitability Ratio Analysis

Profitability ratios indicate how well a company utilizes its assets to produce profit and value to shareholders. A higher ratio or value is commonly sought-after by most companies, as this usually means the business is performing well by generating revenues, profits, and cash flow. The ratios are most useful when they are analyzed in comparison to similar companies or compared to previous periods. The most commonly used profitability ratios are examined below.

1. Net Profit Ratio
2. Gross Profit Ratio
3. Return on Capital Employed Ratio
4. Return on Assets Ratio
5. Earnings per Share

The researcher has used Net Profit ratio to check the financial performance level of public and Private Insurance companies in India.

Literature Review

Krishnamurthy et al (2005) in the paper titled "Insurance Industry in India: Structure, Performance and Future Challenges", has clearly explained the status and growth of Indian Insurance Industry after liberalisation and also presents future challenges and opportunities linked with the Insurance. Insurance is the backbone of country's risk management system and influence growth of an economy in several ways. Penetration of Insurance largely depends on availability of Insurance products, insurance awareness and quality of services. The future growth of this sector will depend on how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks. On the demand side, the rises in income will trigger the growth of Insurance. The process of reforms has enhanced competition provided a choice to the customers, improved the efficiency level of the industry and obligated the insurers to

provide social and rural sectors. LIC continues to remain strong in rural areas while in major urban and metros the private insurers have made their presence felt.

Manjit (2009) in his paper "Emerging Trends in Financial Performance of General Insurance Industry in India". The present study attempts to evaluate the emerging trends in the growth and financial performance of General Insurance Companies in India. The study reveals that the private sector General Insurance Companies results present better efficiency in terms of expenses of management ratio, combined ratio, underwriting results ratio and they are increasing their market share year by year, whereas the performance of public sector General Insurance Companies in terms of net earnings and returns on net worth ratio is better than that of private sector General Insurance Companies.

Charumathi (2012) in his research paper "On the Determinants of Profitability of Indian Life Insurers – An Empirical Study". The present study tried a model the factors determining the profitability of life insurers operating in India taking return on assets as a dependent variable. For this purpose, firm specific characteristic such as leverage, Size, premium growth, liquidity, underwriting risk and equity capital are regressed against Return on assets. The study revealed that profitability of life insurers is positively and significantly influenced by the size and liquidity. The leverage, premium growth and logarithm of equity capital negatively and significantly influenced the profitability of Indian life insurers.

Joy (2012) in his research paper "Measuring performance and efficiency growth of the selected Indian life Insurance company – A Total Factor productivity approach have compared performance of LIC and private life insurance companies. The analyse was done using secondary data on net premium Income and Number of products. The factor analysis was the statistical tool used to analyze the data. The study reveals the LIC ahead the performance of private life Insurance companies.

Research Methodology

Descriptive Research Design is used as researcher wants to gain a better understanding of respondents; the design used will help in the exploring the public sector and private sector Insurance companies. A Research design is a plan of action to be carried out in connection with a research study. It is the conceptual structure within which research is conducted and it

constitutes the blue print for the collection, measurement and analysis of data.

Research Objective

- To Study the Profitability of selected Public and Private Insurance Companies.
- To study and compare between profitability of Public Insurance and Private Insurance Companies.

Research Hypothesis

H0: There is no significance difference in Net Profit Ratio of selected public and Private sector Insurance Companies.

H1: There is a significance difference in Net Profit Ratio of selected public and Private sector Insurance Companies.

Data Collection

The research study is carried out on the basis of the documentary evidence and various means. The main sources of information and data will be related to Secondary data only. Such secondary data will be contained published and unpublished record, budgets, annual reports, audit report, relevant financial data, different financial statements, govt. and other sources, journals, and other published materials. The data are collected from National stock exchange (NSE), money control websites and Prowess.

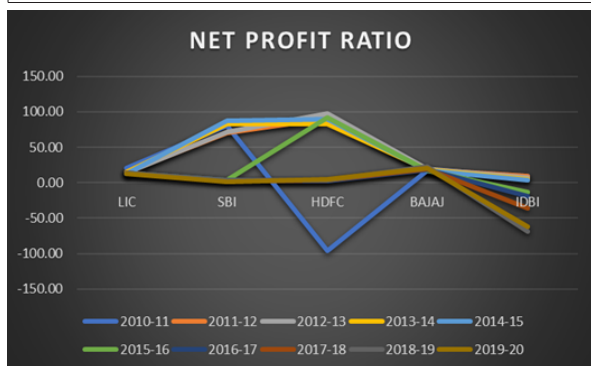
Limitation Of The Study

- The study is based on secondary data from varied sources, so limitation of the secondary data will influence the research study.
- The study is conducted on selected public and Private Insurance Companies, so results cannot be generalizing for all the industries.

Data Analysis And Interpretation

Year	Rs. in Crores				
	LIC	SBI life Insurance	HDFC life Insurance	BAJAJ Allianz life Insurance	IDBI Federal Insurance
2010-11	21.09	80.21	-96.58	17.73	8.90
2011-12	14.95	70.67	91.21	18.79	8.69
2012-13	13.50	70.96	97.08	19.11	7.50
2013-14	14.34	82.86	82.47	17.83	4.21
2014-15	12.99	87.06	90.10	16.68	3.10
2015-16	13.39	3.12	92.25	17.50	-13.06
2016-17	13.80	3.40	2.91	18.43	-18.56
2017-18	13.49	2.98	3.43	19.91	-35.77
2018-19	14.00	3.24	3.32	22.37	-68.48
2019-20	12.19	1.77	4.41	20.48	-61.88
Average	14.37	40.63	37.06	18.88	-16.54

Source: Prowess



Interpretation: Above Table and Graph shows that;

- The mean value of Life Insurance Corporation company is Rs. 14.37. The maximum value was Rs. 21.09 in the year 2010-11 and minimum value was Rs. 12.19 in the year 2019-20 during the period from 2010-11 to 2019-20.
- The mean value of SBI Life Insurance company is Rs.

40.63. The maximum value was Rs. 87.06 in the year 2014-15 and minimum value was Rs. 1.77 in the year 2019-20 during the period from 2010-11 to 2019-20.

- The mean value of HDFC Life Insurance company is Rs. 37.06. The maximum value was Rs. 97.08 in the year 2012-13 and minimum value was Rs. (-96.58) in the year 2010-11 during the period from 2010-11 to 2019-20.
- The mean value of Bajaj Allianz Life Insurance company is Rs. 18.88. The maximum value was Rs. 22.37 in the year 2018-19 and minimum value was Rs. 17.50 in the year 2015-16 during the period from 2010-11 to 2019-20.
- The mean value of IDBI Federal Insurance company is Rs. (-16.54). The maximum value was Rs. 8.90 in the year 2010-11 and minimum value was Rs. (-68.48) in the year 2018-19 during the period from 2010-11 to 2019-20.

Hypothesis Testing

The researcher has proven the hypothesis by Analysis of variance and result shows that the F – Value was 3.951 and P-value was 0.0078. The p-value is lesser than significance value (0.05). Therefore, H0 is Rejected. So, Net Profit ratio of selected public sector and private sector Insurance Companies are significant.

Findings

- SBI Life Insurance company's Average Net Profit ratio is higher compared to other Insurance companies.
- IDBI Federal Insurance company's Average Net Profit ratio is lower compared to other Insurance companies.

CONCLUSION

In the given study, the researcher has taken only into considerations of selected public and Private Insurance Companies listed on national Stock exchange. Moreover, the researcher has conducted descriptive study to measure the financial performance of selected Insurance Companies in India. There is huge scope to carry out further study on efficient market hypothesis, Profitability ratio, long-term and short-term solvency ratio, financial performance and measurement of selected companies of similar different sector.

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