



A COMPARATIVE STUDY ON LIQUIDITY 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 Liquidity aspect of public and private Insurance companies in India. These ratios evaluate a business' efficiency to settle its debts as and when they become due, with its revenues or assets in the disposal. Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios are show liquid position by analysts and investors to measure and evaluate the ability of a company to enough cash. The period of study would be ten years during 2010-11 to 2019-20.

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

1. Introduction

Insurance may be defined as a cooperative device or a contract to spread the loss caused by a particular risk over several persons, who are exposed to it and who agree to insure themselves against the risk. Life insurance may also be defined as a contract for payment of a sum of money to the person assured (or to the person entitled to receive the same / nominee) on the happening of the event for which the insurance cover was taken. The contract may also provide for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at the death before the date of maturity. The contract also provides for the payment of premium, at the time decided, to the company by the assured. 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.

WHAT IS LIFE INSURANCE?

"Life insurance is a contract for payment of a sum of money to the person assured (or failing him/her to the person entitled to receive the same) on the happening of the event insured against. Usually, the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or on unfortunate death."

Liquidity Ratio Analysis

When analyzing a company, investors and creditors want to see a company with liquidity ratios above 1.0. A company with healthy liquidity ratios is more likely to be approved for credit. Liquidity ratios cover quick ratio, current ratio, Earning Retention ratio and Cash Earning Retention Ratio for this research study.

2. Literature Review

Tripathi (2009) in his dissertation report on "A comparative analysis of LIC and Private Insurance Companies". The main objective of the study is to compare the performance of LIC and Private life insurance companies. The study was analytical and based on secondary data sources. Comparison between LIC and private insurers has been done on the basis of size, growth, productivity and grievances handling mechanism. The private companies are giving direct competition to LIC, LIC is a dominating player even after privatization and abundance scope of insurance expansion in the Indian market.

Shahid (2010) in his research paper "Growth of LIC on India during post privatization period" has made the attempt to examine the performance of LIC of India in this competition edge. The study was done based on secondary data related to number of offices, number of policies, premium, market share, commission expenses. Data were analyzed using percentile method. The reveals that LIC is not having a greater number of branches in rural areas and have to introduce a new product which suit the rural population, this will help the LIC to increase their business.

Barathi. C et al (2011) in the research paper entitled "Innovative strategies to catalyze growth of Indian life insurance sector-An

Analytical Review" have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They find the entry of many private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs, customer service etc. The paper is exploratory and secondary based in nature and explores the various strategic options that can be effectively implemented by the life insurers to improve the coverage and penetration of life. This paper explores the strategies that insurance companies can adopt in order to counter the negative impact of the global economic recession. The findings of the study are that companies instead of focusing only on improving the variety of products needs to focus on targeting new segments and implement innovative strategies in order to achieve sustained growth and ensure profitability of business as well as growth of insurance coverage.

3. 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.

3.1 Research Objective

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

3.2 Research Hypothesis

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

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

3.3 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.

3.4 Limitation of the study

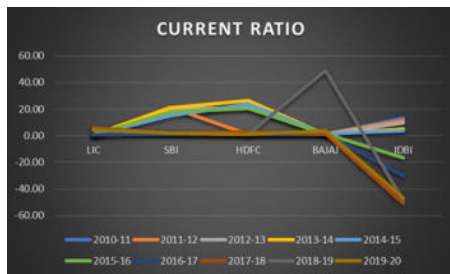
- The study is based on secondary data from varied sources, so limitation of the secondary data will influence the research study.
- The study is conducted on selected public and Private Insurance Companies, so results cannot be generalizing for all the industries.

4. Data Analysis and Interpretation

Rs. in Crores					
Year	LIC	SBI life Insurance	HDFC life Insurance	BAJAJ Allianz life Insurance	IDBI Federal Insurance
2010-11	0.52	1.43	0.80	1.02	13.02
2011-12	0.51	21.29	0.85	1.37	11.56
2012-13	0.39	20.12	21.00	1.16	9.66
2013-14	0.47	20.83	26.23	1.04	5.11
2014-15	0.46	15.17	23.71	1.48	3.85
2015-16	0.44	17.76	20.23	1.57	-16.57
2016-17	0.44	1.83	0.78	1.53	-30.08
2017-18	6.10	1.78	3.00	1.64	-50.99
2018-19	5.02	1.93	0.79	49.12	-48.94
2019-20	4.14	1.69	0.87	3.53	-46.82
Average	1.85	10.38	9.83	6.35	-15.02

Source: Prowess

Source: Prowess



Interpretation: Above Table and Graph shows that;

- The mean value of Life Insurance Corporation company is Rs. 1.85. The maximum value was Rs. 6.10 in the year 2017-18 and minimum value was Rs. 0.39 in the year 2012-13 during the period from 2010-11 to 2019-20.
- The mean value of SBI Life Insurance company is Rs. 10.38. The maximum value was Rs. 21.29 in the year 2011-12 and minimum value was Rs. 1.43 in the year 2010-11 during the period from 2010-11 to 2019-20.
- The mean value of HDFC Life Insurance company is Rs. 9.83. The maximum value was Rs. 26.23 in the year 2013-14 and minimum value was Rs. 0.78 in the year 2016-17 during the period from 2010-11 to 2019-20.
- The mean value of Bajaj Allianz Life Insurance company is Rs. 6.35. The maximum value was Rs. 49.12 in the year 2018-19 and minimum value was Rs. 1.02 in the year 2010-11 during the period from 2010-11 to 2019-20.
- The mean value of IDBI Federal Insurance company is Rs. (-15.02). The maximum value was Rs. 13.02 in the year 2010-11 and minimum value was Rs. (-50.99) in the year 2017-18 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 4.666 and P-value was 0.003089. The p-value is lesser than significance value (0.05). Therefore, H₀ is Rejected. So, Current ratio of selected public sector and private sector Insurance Companies are significant.

5. Findings

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