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LIQUIDITY, PROFITABILITY, AND COMPARABILITY POSITION OF SELECTED INDIAN PERSONAL INSURANCE COMPANIES: ANANALYSIS

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ABSTRACT:

Following the liberalization of the Indian economy and the introduction of Insurance Regulatory and Development Authority (IRDA) regulation in 2000, the entry of many private life insurance companies brought changes fundamentals to the Indian life insurance market. It has become essential for Paddy to examine the profitability, solvency and liquidity performance of these companies. Insurance is an important part of the Indian financial system. This research paper aims to analyze the profitability of 4 Indian life insurance companies.

The reference period of the study is two years, from 2020 to 2022. Financial performance is analyzed using two variables: retained earnings and after-tax earnings.

Key Words: Surplus,Profit after Tax,Current Assets,Current Liabilities,Current Ratio, cash and Cash equivalents.

Introduction: The insurance industry is one of the most important industries for economic development. Life insurance provides muchneeded support to loved ones in the event of death or death. As the country's economy grows, so does the insurance industry in India. Several insurers are expanding their presence in the public and private sectors. The Indian insurance industry consists of 57 insurers, of which 24 are in the life insurance sector and 33 are non-life insurers.

The main companies are Life Insurance Co., Ltd., HDFC Standard Life, SBI Life and ICICI Prudential Life.

At any stage of the study, we observed a greater emphasis on the profitability and liquidity of companies. Managers tend to focus more on profitability and liquidity.

In theory, the way working capital is managed affects profitability and liquidity.

1. Review of literature:

A. Kumar Naveen (2014) explained in his study that except for 2011, the insurance density increased continuously during the study period. Although India's growth in insurance density during the postreform period has been impressive, it remains low compared to other comparatively superior global economies. Life insurance penetration in India has fallen from 2.15% in 2001 to 3%. In 2011, it was 8%. The study showed that after opening 4 insurance sectors to private participation, India reported an increase in insurance density and penetration till 2010. The trend has been decreasing since 2011.

M. A. Smit Bodla Dr Deepak Tandan Dr B S Bodla (2017) attempted to analyze the profitability of insurance companies and found that the life insurance industry experienced a significant increase in premiums after the entry of players private. The compound annual growth rate of net premiums over the past 10 years was 8.89%. The net premium CAGR was highest at the maximum lifetime, followed by HDFC stents, lifetime NBI and SBI lifetime.The market share of the leader, namely LIC, has exceeded 70% every year for the past 10 years, except in 2010-2011, private sector life insurers had a market share of 69.89%. ICICI Prudential has enjoyed the highest market share every year for the past 10 years. Equity shares range from 3.92% to 6.92% over this period. Notably, the HDFC premium net target market share increased year-overyear over the study period, from 1.81% in 20062007 to 4.52% in 2015-2016.

Supriya (2018) explains in his study that private insurance seems to dominate and gain more market share, which is evident in fluctuations in business volume. Hence, evidence of fresh capital can be seen in addition to meeting the minimum requirement of Rs 100 crore for the solvency test. The global financial crisis has had a major impact on the profitability of India's deregulated corporate sector. Public life insurance should focus on capital adequacy and improving reinsurance and actuarial issues because it lacks determinants of all factors, so the overall ratio in the public sector also becomes low , while private life insurance should focus on the underwriting process and its associated costs, benefits and profitability, improving the liquidity position as it lacks all the factors that determine it. Overall, the analysis highlights the superiority of private insurers, as average claims appear to be lower than those of public insurers, and exponential growth broadly suggests a similar phenomenon.

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Dey, Adhikari and Bardhan (2015) conducted a study to find out the companyspecific factors th at affect the financial performance of life insurance companies in India to find out the results. F or this study, we collected information from 13 different life insurance companies in India for th e tenyear period from 20032004 to 20122013. Ratios such as return on equity (ROE), liquidity ra tio and solvency ratio are used in research and analysis. We used many statistical methods such as multiple regression models.According to the results, there is a weak but favorable relationsh ip between tangibility and mobility and financial success.

Charumathi (2012) conducted a study to investigate the profitability of life insurance companies in India with 23 private insurers and 1 public insurer. The study period is three years, from 200 8-09 to 2010-
11. Return on assets (ROA), insurance leverage, size, premium growth, underwriting risk, equity are the parameters used in the study. Data were analyzed using multiple linear regression mod els. Regression analysis shows that the profitability of life insurance companies is significantly af fected by size and liquidity.On the other hand, equity has a negative impact on the profitability of Indian life insurance companies.

Dr. Mohmad and Syed (2016) analyze the liquidity and profitability of the selected companies a nd more specifically attempt to compare the liquidity and profitability performance of the selec ted companies. They found significant differences in the performance of pharmaceutical compa nies based on the rapid ratio. Cipla outperforms Dr. Reddy's Labs profitability

2. Objective of the study:

1. Analyze the profitability performance of selected life insurance companies.
2. Analyzes the liquidity situation of certain life insurance companies.
3. Understand and compare the liquidity positions of Indian insurance companies.
4. Know the cash position of some insurance companies in India.

3. Research Methodology:

The study included four life insurance companies operating in India. Due to time constraints, th e scope of the study is limited to four life insurance companies based on secondary data.

Period of the Study: From 2020-21 to 2021-22 (2 years)

S. NO	Life Insurance Company
1	LIC

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2	SBI Life Insurance
3	ICICI Prudential Life insurance company Ltd
4	HDFC Standard Life Insurance company Ltd

Data Collection:

This study is based on secondary data. Data is collected from insurance company websites, rese arch articles, books and reports published in journals.

4. **Analysis and Interpretation:**

Objective: 1. Analyze the profitability performance of selected life insurance companies.

Profitability performance has been examined by observing Surplus and Profit after tax

A. Surplus

Table-01 Surplus of 4 life insurers ('000')

Life Insurers	**2021-2021**	**2021-2022**
LIC	288872.58	570250.34
SBI	32921126	35064679
ICICI	70671180	75915442
HDFC	64073690	132851739

Source: Annual Reports of Life insurers from 2020-21 to 2021-22

Table 01 shows the surplus of selected insurers for the period 2020-21 to 2021-22.It is observed that surplus of LIC,SBI,ICICI,HDF showing upward direction.

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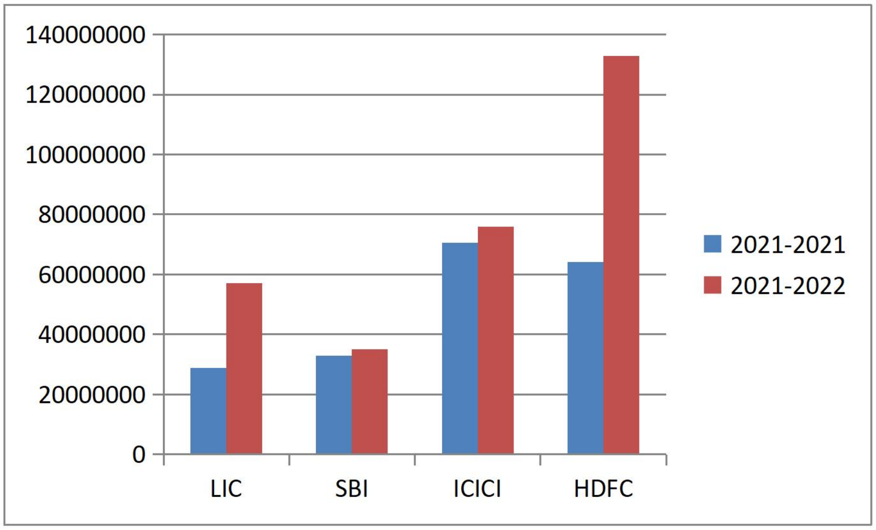

B. **Profit after tax**

Table-02 Profit after Tax (In lakhs)

Life Insurers	2020-2021	2021-2022
LIC	29741386	41247082
SBI	14558494	15059977
ICICI	9561554	7592020
HDFC	13601045	12076869

Source: Annual Reports of Life insurers from 2020-21 to 2021-2022

Table 02 shows the after-tax profits of selected insurance companies for the period 2020-21 to 2021-22. We observe that profit after tax increases from 2020-21 to 2021-22 for all insurers except for ICICI profit after tax. LIC, SBI, HDFC recorded higher profit after tax in 2018-19 compared to 2014-15. ICICI PAT reduced from 2020-21 to 2021-22.

Objective: 2. Analyzes the liquidity situation of certain life insurance companies.

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The current ratio standard (Current Assets to Current Liabilities) is an important indicator to me asure whether a company has a liquidity status. The ratio specified for this analysis is the ratio of current assets to current liabilities.

Table-03 Current assets and liabilities of LIC

Life Insurers	Current Assets	Current Liabilities	Current Ratio
2020-2021	17920102.25	8285323.45	2.16
2021-2022	19111783.85	7124459.99	2.68

Source: Annual Reports from 2020-2021 to 2021-2022

Table-03 shows Current assets and current liabilities and Current ratio of LIC for a period from 2020-21 to 2021-22.

Graph-01 Current Ratio of LIC

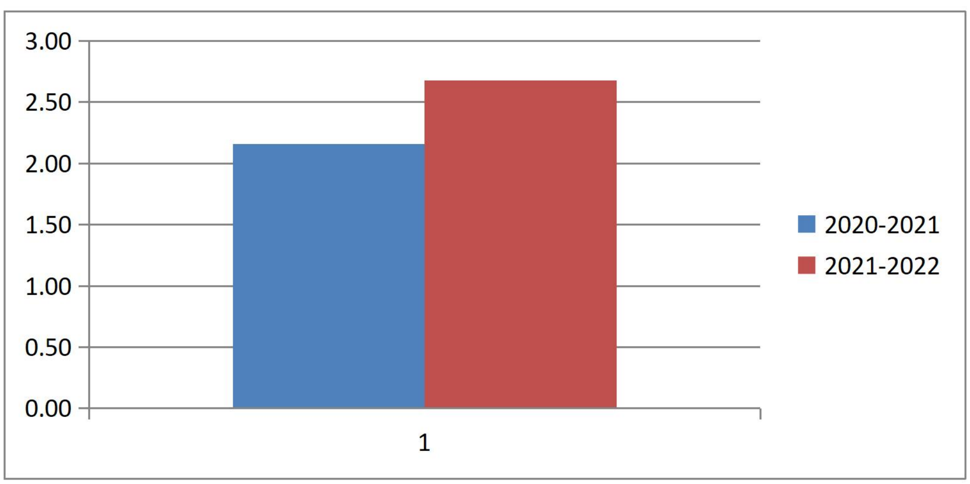

Figure-01 Analysis: Current ratio of LIC **was** highest in 2014-2015 and lowest in 2017-2018.

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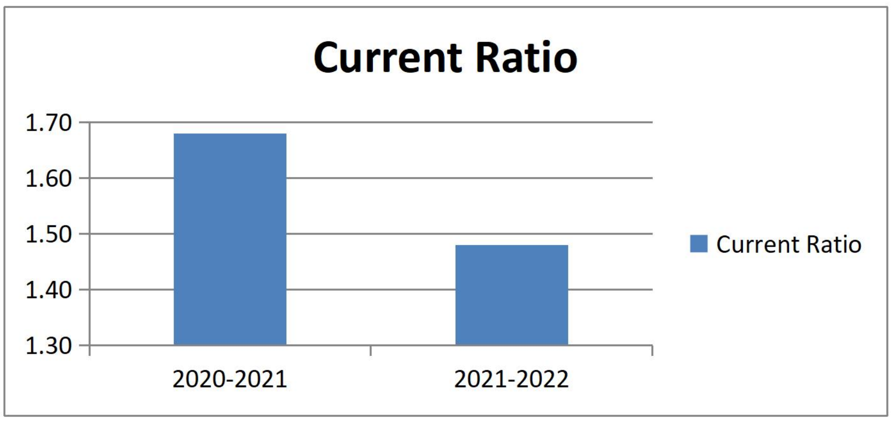
Table-04 Current assets and current liabilities of SBI Life

Life Insurers	Current Assets	Current Liabilities	Current Ratio
2020-2021	71507639	42583707	1.68
2021-2022	76157369	51297899	1.48

Table-04 shows Current assets and current liabilities and Current ratio of SBI for a period from 2020-2021 to 2021-2022.

Graph-02 Current Ratio of SBI Life Insurance



Graph -02Analysis: The Current ratio of SBI showing highest in the year 2020-21 and lowest current ratio in 2021-22.

Table-05 Current Assets and Current Liabilities of ICICI Prudential Life Insurance Company Ltd.

Life Insurers	Current Assets	Current Liabilities	Current Ratio
2020-2021	38973103	37305903	1.04

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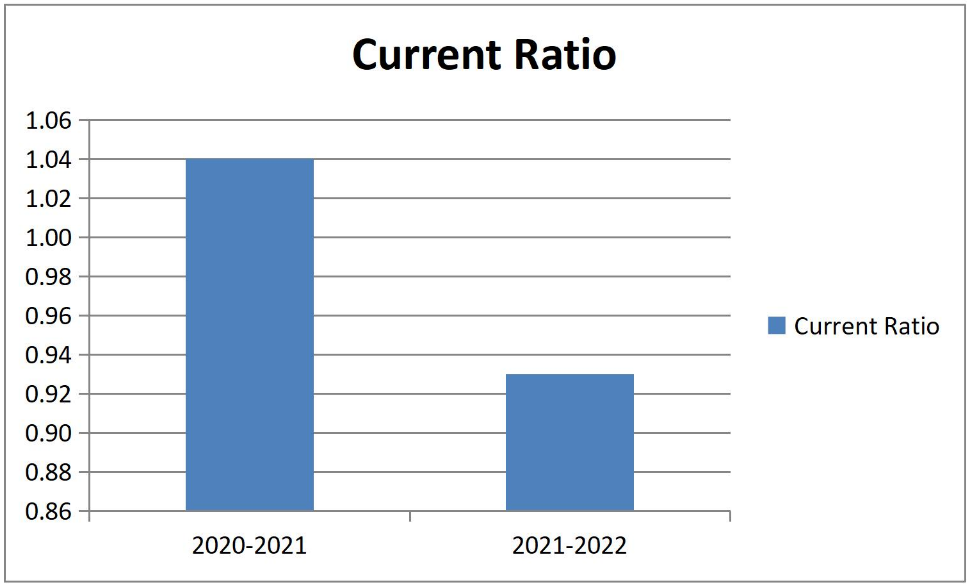
2021-2022	49075176	52522577	0.93

Source: Annual Reports from 2020-2021 to 2021-2022

Table 05 shows ICICI's current assets and liabilities and current ratios for the period 2020-21 to 2021-22.

Graph-03 Current Ratio of ICICI Prudential Life insurance company Ltd



Graph -03Analysis: The Current ratio of ICICIshowing highest in the year 2020-21 and lowest current ratio in 2021-22.

Table-06: Current Assets and Liabilities of HDFC Standard Life Insurance Company Ltd.

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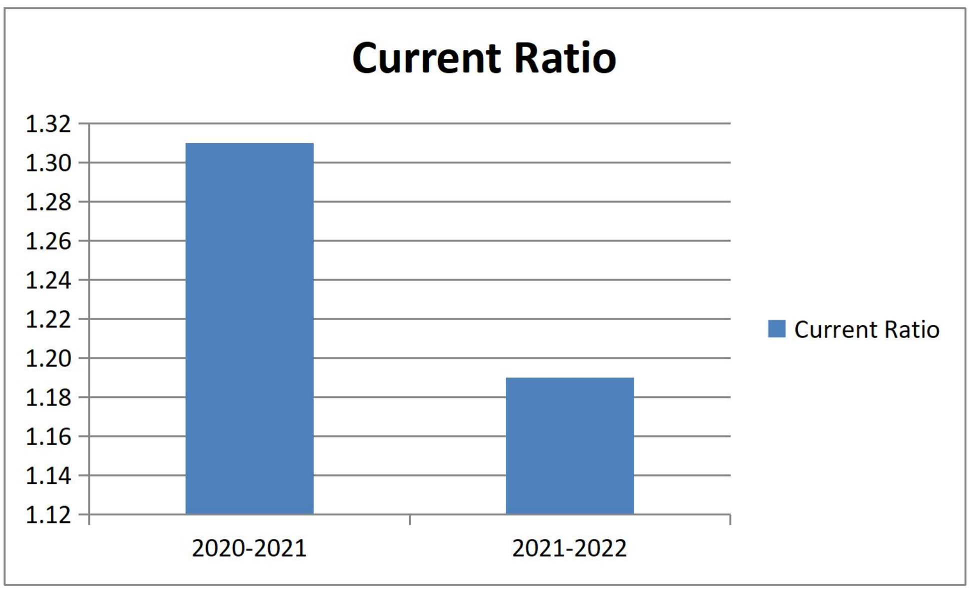
Life Insurers	Current Assets	Current Liabilities	Current Ratio
2020-2021	65159626	49780894	1.31
2021-2022	62287130	52332599	1.19

Table 06 presents the current assets and liabilities and operating ratios of HDFC for the period 2 020-2021 to 2021-2022.

Graph-04 Current Ratio of HDFC Standard Life Insurance Company Ltd



Graph -04Analysis: The Current ratio of HDFC standard life showing highest in the year 2020-21 and lowest current ratio in 2021-22.

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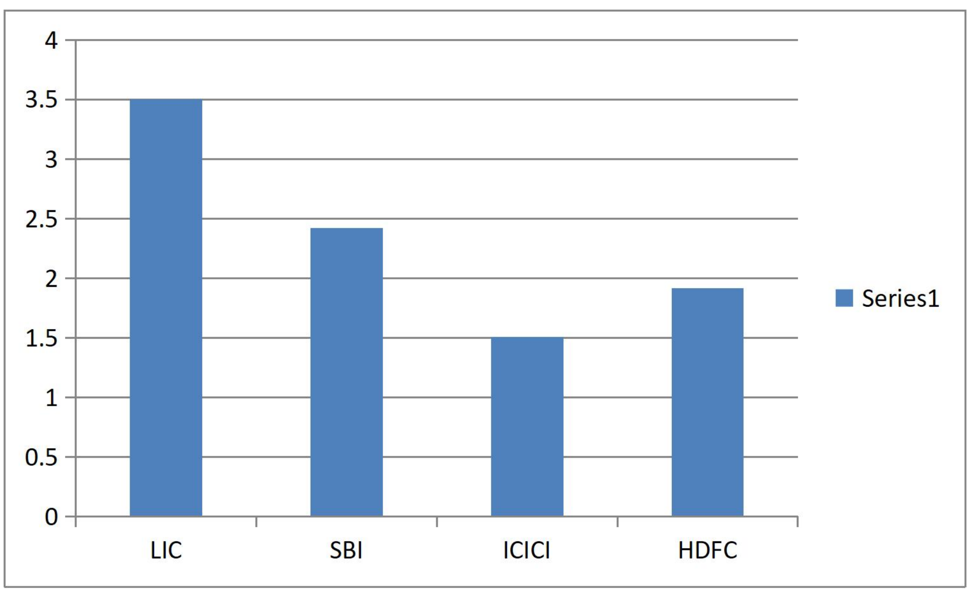
Objective:3 Understand and compare the liquidity positions of Indian insurance companies.

Statement showing Average Current ratio

Life Insurers	2020-21	2021-22	Average Current ratio
LIC	2.16	2.68	3.5
SBI	1.68	1.48	2.42
ICICI	1.04	0.93	1.51
HDFC	1.32	1.19	1.92

Table-07 shows The Average Current Ratio of Selected Insurance Companies for the year 2020-21 and 2021-22. From the above table it is found that LIC has highest average current ratio i.e 3.5 and ICICI has Lowest Current ratio i.e 1.51.

Graph 05-Average Current ratio



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Comparison of LIC Average Current ratio with SBI,ICICI and HDFC Current ratios:

LIC	SBI	2.42
	ICICI	1.51
3.5	HDFC	1.92

Table-08 shows the comparison of Average Current ratio of LIC with SBI,ICICI and HDFC Current ratios. From the above that it is observed that LIC has Highest Average Current ratio compared with SBI, ICICI and HDFC.

Comparison of SBI Average Current ratio with ICICI and HDFC Current ratios:

SBI	ICICI	1.51
2.42	HDFC	1.92

Table-09 shows the comparison of Average Current ratio of SBI with ICICI and HDFC Current ratios. From the above that it is observed that SBI has Highest Average Current ratio compared with ICICI and HDFC.

Comparison of ICICI Average Current ratio with HDFC Current ratios:

ICICI	HDFC
1.51	1.92

Table-10 shows the comparison of Average Current ratio of ICICI with HDFC Current ratio. From the above that it is observed that HDFC has Highest Average Current ratio compared with ICICI.

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Objective: 4: Know the cash position of some insurance companies in India.

Table:10: Cash and Cash equivalents ('000')

Life Insurers	2020-2021	2021-2022
LIC	3033396.06	3757499.24
SBI	108747007	108846158
ICICI	94497281	101459800
HDFC	10355595	10865549

Source: Annual Reports of Life insurers from 2020-21 to 2021-2022

Table 10 shows that Cash and Cash equivalents of selected insurers for the period 2020-21 to 2021-22.It is observed that All insurers showing more cash in the year 2021-22 compared to 2020-21.

5.1: Limitations of the Study:

1. The study focused on four insurance companies in India as it may not be generalizable to th e entire population.
2. The data used in the study are mainly secondary data.
3.Annual report search based on two years

5.2: Conclusion: This study analyzes the financial performance of selected Indian insurance companies by analyzing the determinants of profitability of selected Indian insurance companies and measuring the performance of selected insurance companies using current ratios It is intended to A firm's liquidity performance can affect the economy as a whole, so empirical analysis is needed to assess performance. We measured financial performance using power ratio, retained earnings, and after-tax profit. The study also rated public insurance as having similar after-tax surpluses and profits. In terms of current ratios, public insurers such as LIC and SBI own more life insurance companies than private

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insurers. From 2020-21 to 2021-22, the surplus of four insurance companies will increase. HDFC and ICICI insurers' after-tax profits are down from 2020-21 to 2021-22. The current ratio of ICICI, HDFC, and SBI Insurance is declining, but LIC is on the rise.It is observed that all insurers'cash and cash equivalentsshowing more in the year 2021-22 compared to 2020-21.

5. Recommendations:

The study recommends that optimal liquidity and profitability are necessary for insurers to operate smoothly. Monitoring liquidity without a proper action plan is incomplete. If the level of liquidity risk exceeds established limits, management should be aware of the tools at its disposal to mitigate risk and be prepared to use them when necessary. An insurance company's liquidity management should encompass the characteristics of an organization's assets and liabilities, its internal structure, and market behavioral factors.

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