



A Comparative Study on the Financial Performance of Selected Insurance Companies in India

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Abstract

Since there are more earning opportunities in the insurance sector in India, many new private companies have entered this sector in the last few years. However, LIC still has the largest share in the life insurance sector. Even today people of India are trusting LIC more than other private companies. On the contrary, people are placing more trust in private companies for general insurance and health insurance. The present study compares the two largest insurance public sector companies in India, LIC and GIC. This research is purely based on secondary data. A comparative study has been done by using some financial ratios of selected companies for the last five years. ANOVA has been used to test the hypotheses. The results of the research reveal that there is no significant difference in the performance of LIC and GIC. The financial performance of both companies is satisfactory.

Keywords: Insurance, Financial, Business, Profit, Ratio.

1. Introduction

Insurance has become an indispensable necessity for everyone nowadays. Insurance is very essential for both one's own life as well as business affairs. No one can function without it. The history of Insurance in India is very old. Since ancient times, people have been using insurance facilities in one way or another. Insurance is mainly of two types. Life Insurance and General

Insurance. Nowadays people have become very conscious about their life and health. Most people today take life insurance policies so that the family members do not face any financial problems after their death. Apart from that, personal and business properties like houses, shops, vehicles, machinery, goods, etc. are also insured on a large scale. So that if there is any loss in the future, it will get financial compensation. Insurance assures security against an uncertain future. Insurance does not prevent risks but protects against losses caused by risks.

2. Insurance Sector in India

There are so many companies operating in the insurance sector in India. Some of them are very old companies too. Some new companies have also started in the last few years. There are 1 government and 23 private companies operating in the life insurance sector. While 5 Government and 21 private companies are operating in the general insurance sector. Apart from this, 5 private companies are also operating in the field of health insurance. As there are more opportunities for growth and earnings in the insurance sector, more new companies are likely to enter the sector. Out of these, LIC and GIC are the largest insurance companies in India. Therefore, an analytical study on the financial performance of both companies has been done in this research.

3. Review of Literature

Lamba Jatinkumar (2021) tried to understand the factors affecting to profitability and capital gains of Indian insurance companies. The findings of the research reveal that there is no correlation between profitability and age and size of a company. He found that the market share of LIC is decreasing after privatization.

Selvi Vetri & Marakkandeyan N. (2021) has examined the performance of the general insurance industry in India. The researchers of the study collected financial data of GIC and analyzed it with ANOVA and simple linear regression. The results indicate that the public gave equal importance to general insurance with life insurance.

Gyanendra (2020) has conducted a study on the financial performance of LIC in the Indian financial market. The study was based on secondary data for the period of 2010 to 2019. Ratio analysis was used to analyze the data and the result states that there were no important deviations in the performance of LIC during the selected years.

Rakesh H.M. & Shilpa R. (2015) attempted to study on financial performance of LIC of India and the result reveals that the performance of LIC is consistent and maintains a fair market value for its various products. T test was used in this study to analyze the data.

4. Research Methodology

This research was based on the financial performance of selected Insurance companies in India. This study is analytical. An attempt has been made to compare and analyze the financial appraisal of selected insurance companies for the last five years.

4.1 Research Objectives

Objectives of the research are as mentioned below:

1. To know about the insurance business in India.
2. To know about the financial performance of selected insurance companies in India.
3. To compare and analyze the financial performance of selected insurance companies in India.
4. To find some trends from the financial performance of selected insurance companies in India.

5. To give some valuable suggestions to selected insurance companies regarding their financial performance.

4.2 Sample

There are so many insurance companies working in India. Two biggest public sector insurance companies, LIC and GIC have been selected as a sample for this research.

4.2.1 LIC of India

Life Insurance Corporation of India (LIC) was incorporated on 1st September 1956 by amalgamating 243 companies by the act of Parliament called Insurance Act, 1956. Today LIC functions with 8 zonal offices, 113 divisional offices, 2048 fully computerized branch offices, 1381 satellite offices, and a corporate office.

4.2.2 GIC of India

General Insurance Corporation (GIC) of India was incorporated on 22nd November 1972 as a private company limited by shares. It was nationalized under the General Insurance Business (Nationalization) Act, 1972 (GIBNA). In November 2000 GIC was re-notified as the Indian Reinsurer and now it is known as GIC Re.

4.3 Data Collection

This research work is purely based on secondary data. Required financial and other non-financial information have been collected from various secondary sources of information. The majority of the financial information has been collected from the annual reports and financial statements of the selected companies. Websites of selected insurance companies, newspapers, magazines, and research articles were also used to collect data for this research work.

4.4 Research Hypotheses

Research hypotheses have been developed for this study are as mentioned below:

1. H_0 = There is no significant difference in Dividend per Share between LIC and GIC.
2. H_0 = There is no significant difference in Net Operating Profit between LIC and GIC.
3. H_0 = There is no significant difference in the Operating Profit Margin between LIC and GIC.
4. H_0 = There is no significant difference in Net Profit Margin between LIC and GIC.
5. H_0 = There is no significant difference in Return on Net Worth between LIC and GIC.
6. H_0 = There is no significant difference in Return on Long Term Funds between LIC and GIC.
7. H_0 = There is no significant difference in the Current Ratio between LIC and GIC.
8. H_0 = There is no significant difference in Quick Ratio between LIC and GIC.
9. H_0 = There is no significant difference in Investments Turnover Ratio between LIC and GIC.
10. H_0 = There is no significant difference in Asset Turnover Ratio between LIC and GIC.
11. H_0 = There is no significant difference in Earning Retention Ratio between LIC and GIC.

4.5 Tools and Techniques

Various types of financial ratios have been used to analyze and compare the financial performance of selected companies. ANOVA also have been used for the testing of hypotheses.

5. Comparative Study on Financial Performance

The results of the comparative study on the financial performance of LIC and GIC are mentioned in the below table:

Table 1. Comparative Study on Financial Performance

Ratio	Company	2023-24	2022-23	2021-22	2020-21	2019-20
Dividend per Share	LIC	10	3	1.5	-	40
	GIC	10	7.2	2.25	-	-
Net Operating Profit Per Share (₹)	LIC	1,332.35	1,235.64	1,139.15	68,162.85	61,444.33
	GIC	257.62	267.89	280.76	276.36	312.95
Operating Profit Margin (%)	LIC	3.23	4.65	1.87	1.58	0.27
	GIC	16.13	16.84	7.12	6.67	-1.03
Net Profit Margin (%)	LIC	4.82	4.65	0.56	0.42	0.44
	GIC	14.37	13.43	4.07	3.96	-0.65
Return on Net Worth (%)	LIC	49.64	79.69	38.84	45.6	366.81
	GIC	12.49	15.03	7.67	6.35	-1.42
Return on Long-Term Funds (%)	LIC	50.55	95.44	133.16	173.09	375.68
	GIC	16.28	19.86	13.85	10.67	-1.76
Current Ratio	LIC	0.06	0.07	0.07	0.08	0.09
	GIC	0.37	0.4	0.37	0.42	0.52
Quick Ratio	LIC	0.06	0.07	0.07	0.08	0.09
	GIC	0.36	0.4	0.37	0.42	0.52
Investments Turnover Ratio	LIC	10.28	17.11	69.22	107.16	830.86
	GIC	0.87	1.12	1.88	1.61	2.18
Asset Turnover Ratio	LIC	13.21	27.87	85.93	192	866.51
	GIC	0.96	1.38	1.75	1.75	1.93
Earning Retention Ratio	LIC	87.48	97.52	100	100	0.56
	GIC	100	94.22	100	100	429.78

(Source: Based on calculations from Annual Reports of LIC and GIC)

6. Hypotheses Testing

All the research hypotheses have been tested by using ANOVA. The results of the testing are as mentioned below:

1. H_0 = There is no significant difference in Dividend per Share between LIC and GIC.

Table 2. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	512.19	4	128.04	0.79129	0.57780	5.19216
Within Groups	809.10	5	161.82			
Total	1321.29	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Dividend per Share between LIC and GIC.

2. H_0 = There is no significant difference in Net Operating Profit between LIC and GIC.

Table 3. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2437670209	4	609417552	0.72997	0.60856	5.19216
Within Groups	4174224782	5	834844956			
Total	6611894991	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Net Operating Profit between LIC and GIC.

3. H_0 = There is no significant difference in the Operating Profit Margin between LIC and GIC.

Table 4. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	164.37	4	41.093	1.11012	0.44420	5.19216
Within Groups	185.08	5	37.016			
Total	349.4554	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Operating Profit Margin between LIC and GIC.

4. H_0 = There is no significant difference in Net Profit Margin between LIC and GIC.

Table 5. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	155.65	4	38.914	2.00250	0.23250	5.19216
Within Groups	97.16	5	19.43307			
Total	252.82	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Net Profit Margin between LIC and GIC.

5. H_0 = There is no significant difference in Return on Net worth between LIC and GIC.

Table 6. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	37075.08	4	9268.76	0.64515	0.6540	5.19216
Within Groups	71833.25	5	14366.65			
Total	108908.3	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Return on Net worth between LIC and GIC.

6. H_0 = There is no significant difference in Return on Long-term worth between LIC and GIC.

Table 7. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	27833.12	4	6958.28	0.36629	0.82398	5.19216
Within Groups	94981.43	5	18996.29			
Total	122814.5	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Return on Long term worth between LIC and GIC.

7. H_0 = There is no significant difference in the Current Ratio between LIC and GIC.

Table 8. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.0105	4	0.0026	0.04408	0.99509	5.19216
Within Groups	0.2977	5	0.0595			
Total	0.30825	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in the Current Ratio between LIC and GIC.

8. H_0 = There is no significant difference in Quick Ratio between LIC and GIC.

Table 9. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.0111	4	0.0027	0.04725	0.9944	5.19216
Within Groups	0.2947	5	0.0589			
Total	0.30584	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Quick Ratio between LIC and GIC.

9. H_0 = There is no significant difference in the Investment Turnover Ratio between LIC and GIC.

Table 10. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	247012.4	4	61753.09	0.87876	0.53688	5.19216
Within Groups	351365.1	5	70273.02			
Total	598377.5	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Investment Turnover Ratio between LIC and GIC.

10. H_0 = There is no significant difference in Asset Turnover Ratio between LIC and GIC.

Table 11. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	257841.5	4	64460.38	0.81427	0.56672	5.19216
Within Groups	395815.8	5	79163.17			
Total	653657.4	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Asset Turnover Ratio between LIC and GIC.

11. H_0 = There is no significant difference in Earning Retention Ratio between LIC and GIC.

Table 12. Result of ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	22249.21	4	5562.30	0.30164	0.86559	5.19216
Within Groups	92198.72	5	18439.74			
Total	114447.9	9				

The value of p is less than 0.05. Therefore, we can't reject the null hypothesis. It means, there is no significant difference in Earning Retention Ratio between LIC and GIC.

7. Interpretation and Findings

The major finding of the research is there is no significant difference in the financial performance of selected insurance companies LIC and GIC for the years 2019-20 to 2023-24. The results of the ANOVA test suggest that all the null hypotheses of this research can't be rejected. The value of p is less than 0.05 and the value of F is less than F Critical for all the research hypotheses. Therefore, we have to accept all the null research hypotheses. The financial performance of LIC and GIC has no significant difference for the study period.

8. Suggestions

LIC and GIC are performing very nicely in the field of insurance. Both are giants in their business categories. LIC is mainly focusing on life insurance and health insurance, while GIC is mainly focusing on reinsurance in the field of general insurance. As public sector companies, their financial performance is very competitive to private insurance companies. GIC has to improve its performance in Return on Net worth and Return on long-term funds. The

investment turnover ratio and asset turnover ratio are also low in GIC compared to LIC for the selected years.

In the era of privatization and globalization, many new domestic and international companies are entering the business of insurance. LIC and GIC have to improve their service quality to compete with new companies.

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