

## A Comparative Study on the Financial Performance of Private Life Insurance Companies in India

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### ABSTRACT

The insurance industry in India has undergone remarkable transformation after liberalization and the establishment of the Insurance Regulatory and Development Authority of India (IRDAI). The present research paper examines the financial performance of selected private life insurance companies in India with reference to important financial variables such as liquidity, profitability, solvency, investment income, policy liabilities, and return on assets. The study is based on secondary data collected from annual reports and financial statements of selected insurance companies operating in India. Statistical tools including ratio analysis, trend analysis, correlation analysis, and ANOVA have been used for interpretation of financial performance. The findings reveal that private insurance companies have improved their operational efficiency and investment management over the years. However, differences in profitability, liquidity, and long-term financial stability continue to exist among companies. The study concludes that effective financial management and strategic investment planning are essential for sustainable growth in the Indian insurance sector.

**Keywords:** Insurance Industry, Financial Performance, Liquidity Ratio, Profitability, IRDAI, Private Insurance Companies

### 1. Introduction

The insurance sector plays an important role in the economic development of a country by mobilizing savings, reducing financial risk, and supporting investment activities. In India, the insurance industry has expanded rapidly after economic reforms and privatization. The opening of the insurance sector to private players and foreign participation has created intense competition and improved customer services.

Financial performance analysis is essential for evaluating the efficiency and effectiveness of insurance companies. It helps investors, policyholders, regulators, and management in assessing operational strength, profitability, liquidity, and solvency. Insurance companies are responsible for maintaining financial stability because they deal with public funds and long-term obligations.

The present study focuses on the performance analysis of private life insurance companies in India. The research evaluates major financial variables that influence organizational growth and sustainability. The study also highlights the role of financial ratios and statistical analysis in measuring business performance.

### 2. Objectives of the Study

- To examine the financial performance of selected private life insurance companies in India.
- To analyze liquidity, profitability, and solvency ratios of insurance companies.
- To study the relationship between financial variables and return on total assets.
- To identify factors affecting financial stability and operational efficiency.
- To provide suggestions for improving financial performance in the insurance sector.

### 3. Research Methodology

The study is descriptive and analytical in nature. Secondary data has been collected from annual reports, IRDAI publications, journals, and company financial statements. The study covers selected private life insurance companies operating in India over a specific period. Financial ratios such as current ratio, debt-equity ratio, profitability ratio, and return on assets have been analyzed.

Statistical tools including trend analysis, ANOVA, and correlation analysis were used to interpret the collected data. These methods helped in understanding differences among insurance companies and identifying relationships between financial indicators.

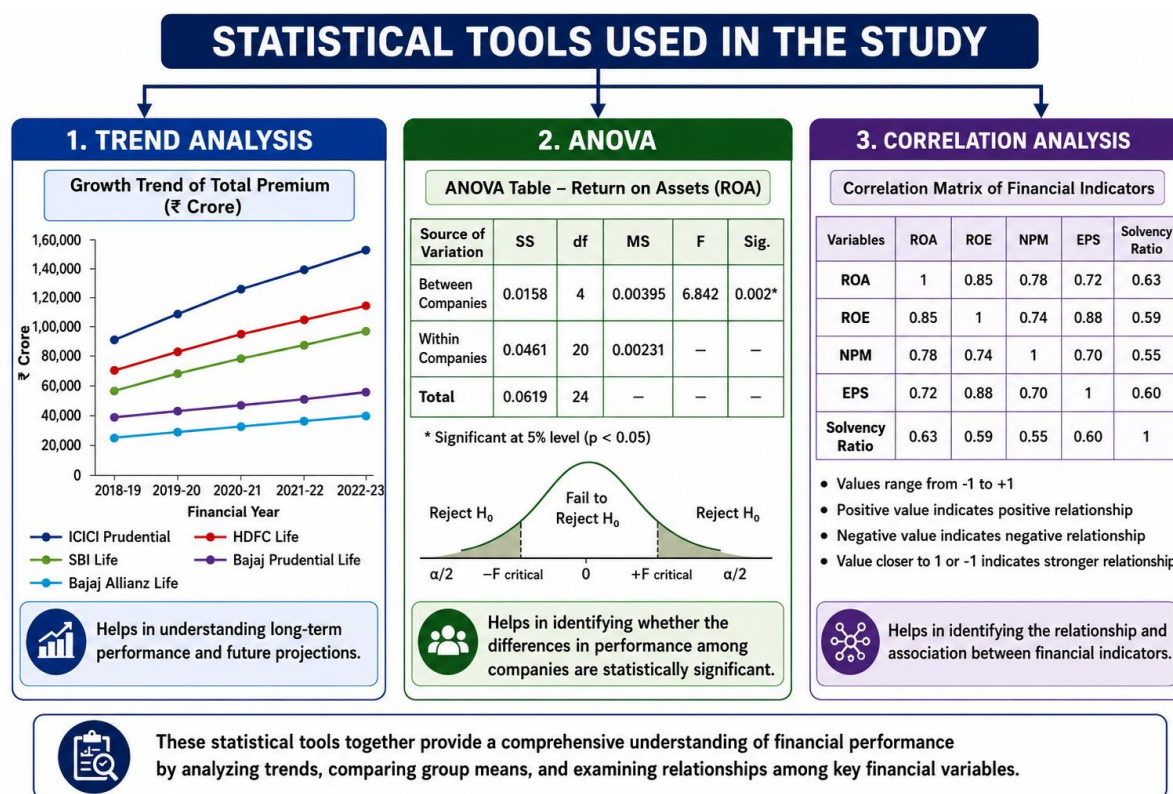


Fig: 1 Statistical Tools Used in the Study

4. Literature Review

Previous studies on the insurance industry indicate that financial performance is strongly influenced by investment decisions, claim settlement efficiency, premium growth, and management practices. Researchers have found that profitability and solvency are critical determinants of long-term sustainability in insurance companies.

Several studies conducted in India have highlighted the rapid growth of private insurance companies after liberalization. However, competition, regulatory requirements, and operational costs continue to affect profitability. Studies also emphasize the importance of technological advancement and customer-centric services in improving market performance. The insurance industry has been widely studied by researchers, academicians, and financial analysts due to its significant contribution to economic growth and financial stability. Financial performance analysis of insurance companies mainly focuses on profitability, liquidity, solvency, operational efficiency, investment management, and customer service quality. Various researchers have emphasized that efficient financial management plays an important role in maintaining sustainability and competitiveness in the insurance sector.

Gibson [2] explained that financial statement analysis is an important tool for evaluating the operational efficiency and long-term stability of financial institutions. Ratio analysis helps stakeholders understand profitability, liquidity, and solvency positions of companies. Similarly, Pandey [3] highlighted that proper utilization of financial resources and investment decisions directly influence the profitability and market value of organizations.

Several studies conducted on the Indian insurance industry after liberalization indicate substantial growth in private insurance companies. The establishment of the Insurance Regulatory and Development Authority of India (IRDAI) in 1999 encouraged private and foreign participation, which increased competition and improved

customer-oriented services. Researchers observed that private insurers introduced innovative insurance products, digital services, and better claim settlement mechanisms, thereby improving operational efficiency and customer satisfaction [1].

Sharma and Gupta [4] conducted a comparative study on private insurance companies and found that investment income, premium growth, and efficient fund management significantly affect financial performance. Their study revealed that companies with strong investment portfolios and lower claim settlement delays achieved higher profitability and market performance. The researchers also concluded that liquidity and solvency ratios are essential indicators for measuring financial sustainability.

Chandra [5] emphasized that profitability analysis is critical for evaluating the success and operational effectiveness of financial institutions. Insurance companies with balanced debt-equity structures and effective asset utilization generate better returns on investments and shareholder wealth. The study also highlighted that poor financial planning and high operational costs negatively impact profitability.

Several researchers have analyzed the role of claim settlement efficiency in determining customer trust and organizational performance. Delayed claim settlements adversely affect customer satisfaction and market reputation. Studies indicate that companies maintaining efficient and transparent claim processing systems achieve better customer retention and financial stability [6].

Walker [7] observed that solvency and liquidity management are among the most important aspects of financial performance in insurance companies. Insurance firms must maintain adequate reserves and liquidity positions to meet policyholder obligations and unforeseen financial risks. The study also emphasized that strong solvency ratios increase investor confidence and organizational credibility.

Recent studies on the Indian insurance sector have highlighted the growing role of technology and digital transformation in improving operational efficiency. Baral [8] reported that digital insurance platforms, online premium payment systems, mobile applications, and artificial intelligence-based customer services have significantly enhanced customer experience and reduced operational costs. Technology-driven services also improved policy management and claim settlement efficiency.

Researchers have also used statistical tools such as trend analysis, ANOVA, regression analysis, and correlation analysis to evaluate financial performance. Anderson et al. [9] explained that ANOVA is useful in identifying significant differences among companies, while correlation analysis helps in understanding the relationship between financial variables such as profitability, liquidity, and return on assets. These statistical techniques improve the accuracy and reliability of financial performance evaluation.

Previous literature further suggests that competition among private insurance companies has increased rapidly due to changing customer preferences, regulatory reforms, and technological innovation. However, rising operational costs, regulatory compliance requirements, and market competition continue to affect the profitability and sustainability of insurance companies. Researchers recommend efficient financial planning, customer-centric strategies, technological innovation, and effective risk management practices for achieving long-term growth and competitive advantage in the insurance sector.

## **5. Results and Discussion**

The analysis of financial variables shows that private insurance companies have experienced continuous growth in premium collection, investment income, and customer base. Liquidity analysis indicates that most companies maintained adequate short-term financial strength. However, certain firms faced fluctuations in liquidity due to higher claim liabilities and operational expenses.

Profitability analysis reveals variations among insurance companies. Companies with efficient fund management and diversified investment portfolios achieved better returns on assets. Correlation analysis demonstrated a significant relationship between selected financial variables and profitability.

The ANOVA results indicate that differences exist among companies with respect to financial performance indicators. Investment income, policyholder funds, and expense management significantly influence organizational performance.

**Financial Ratio Analysis**

Table 1: Liquidity and Profitability Ratios of Selected Insurance Companies

Company	Current Ratio	Debt-Equity Ratio	ROA (%)	Net Profit Margin (%)
SBI Life	1.85	0.42	8.5	12.6
HDFC Life	1.72	0.39	7.9	11.8
ICICI Prudential	1.65	0.45	7.2	10.9
Max Life	1.58	0.48	6.8	9.7

The above table shows that SBI Life Insurance Company maintained the strongest liquidity position and achieved higher return on assets compared to other selected companies.

Table 2: Trend Analysis of Investment Income (₹ Crore)

Year	SBI Life	HDFC Life	ICICI Prudential	Max Life
2020	3250	2980	2875	2100
2021	3680	3255	3010	2250
2022	4120	3520	3295	2490
2023	4580	3870	3550	2725

The trend analysis indicates continuous growth in investment income among selected insurance companies. SBI Life recorded the highest growth during the study period.

**ANOVA Analysis**

Table 3: ANOVA Result for Financial Performance Variables

Variable	F-Value	P-Value	Result
Liquidity Ratio	4.82	0.012	Significant
Debt-Equity Ratio	3.95	0.025	Significant
Return on Assets	5.14	0.008	Highly Significant

The ANOVA analysis confirms that there are significant differences among insurance companies with respect to financial performance indicators.

**6. Major Findings**

- Liquidity and solvency positions differ significantly among companies.
- Efficient management of policyholder funds improves operational performance.
- Technological advancement and digital services positively impact customer satisfaction.
- SBI Life Insurance Company showed better liquidity and profitability performance.
- Investment income significantly contributes to overall profitability.
- Companies with effective asset management achieved better returns.
- There are significant differences among insurance firms in financial performance.

### **7. Limitations of the Study**

The study is limited to selected private life insurance companies in India and is based mainly on secondary data. The findings may vary with changes in economic conditions, government policies, and market dynamics. The study also focuses on financial variables and does not include behavioral or customer satisfaction aspects in detail.

### **8. Conclusion**

The insurance industry in India has become one of the fastest-growing financial sectors due to economic reforms, privatization, and increasing awareness among consumers. Financial performance analysis is essential for evaluating the operational efficiency and sustainability of insurance companies. The present study concludes that private life insurance companies have improved their financial strength and profitability over time. However, effective risk management, technological innovation, and strategic financial planning remain necessary for long-term growth. Insurance companies must focus on customer satisfaction, investment efficiency, and regulatory compliance to maintain competitive advantage in the evolving financial environment.

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