ISSN: 2394-3114
Vol-40-Issue-60-March -2020

A Study on the Profitability Analysis of Select Private Life Insurance Companies in India

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Abstract

Insurance companies in India provide unique financial services to the growth and development of our economy as it plays a significant intermediary role in terms of risk transferring, enhancing private investment, creation of job opportunities and ensuring various development projects. For Insurance companies, profit earning is a pre-requisite as they have to sustain themselves in the globalizedcompetitive environment. In the absence of profit, the insurers can't attract outside capital so as to meet their objectives. In this background, an earnest attempt has been made to analyze the profitability of top ten private Life Insurance Companies in India. The study covers a period of eleven years starting from 2007 to 2017. Size,operating ratio, underwriting risk, volume of capital, net earnings ratio are taken as variables to study the profitability of top ten selected private life insurance companies in India. The simple statistical tools like mean, SD, Co-efficient of Variation, AGR and't' test are employed. The study shows that while analyzing the size of the companies that SBI life insurance has the highest significant growth than other life insurance companies. Also, the maximum significant growth is achieved by INGVysya in case of operating ratio and TATALIC hasthe high significant growth while focusing underwriting risk among the selected life insurance companies.

Keywords: Profitability, Private Life Insurance, Operating Ratio and Net Earnings Ratio.

Introduction

Generally, the financial institutions in India play a crucial role in stabilizing the economy. Especially, the insurance industry is highly supportive to the Indian economy through the effective and efficient financial management. The current financial system is streamlined through saving mobilization, risk transfer and intermediation.Therefore, financial institutions channel funds and transfer risks from one economic unit to another economic unit so as to facilitate trade and resources arrangement. A survey disclose that the efficiency of financial intermediation and transfer of risk can affect economic growth while at the same time institutional insolvencies can result in systematic crises which have unfavorable consequences for the economy as a whole. Hence, the important role of financial institutions such as private insurance companies remain in financing insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of economy. Therefore, it requires an empirical exploration so as to sort out what are the important factors affecting profitability of the selected private life insurance companies and this might be helpful to the concerned bodies to focus on the relevant factors.