

FINANCIAL PERFORMANCE ANALYSIS OF LIFE INSURANCE CORPORATION AND SBI LIFE INSURANCE

KEERTHIKA G

II M.COM (CS),

Department of corporate secretaryship, PSG College of Arts and Science, Coimbatore-641014.

Under the guidance of

Dr. REVATHY S,

Associate professor, Department of corporate secretaryship,

PSG College of Arts and Science,

Coimbatore-641014

ABSTRACT

This study conducts a comprehensive financial performance analysis of Life Insurance Corporation (LIC) and SBI Life Insurance, two prominent players in the Indian insurance sector. The analysis evaluates their financial stability, profitability, and efficiency using financial statements, ratios, and key performance indicators. The study aims to provide insights into their financial health, ability to meet obligations, and long-term growth prospects. The findings will be valuable for stakeholders, including policyholders, investors, and regulators, in understanding the companies' financial performance and making informed decisions.

Keywords: Financial Performance Analysis, Life Insurance Corporation (LIC), - SBI Life Insurance, Financial Stability

INTRODUCTION

An essential component of assessing an organization's stability, profitability, and general effectiveness is financial performance analysis. To ascertain an entity's financial health, financial statements, ratios, and key performance indicators are evaluated. Insurance is a type of financial agreement that guards against monetary loss brought on by unanticipated circumstances. Policyholders pay premiums in exchange for financial protection against loss or damage under the risk pooling principle. Because it provides both individuals and businesses with financial protection, the insurance industry is essential to economic stability. The Insurance Regulatory and Development Authority of India (IRDAI) oversees the regulation of insurance firms in India. IRDAI safeguards policyholders' interests, encourages fair market procedures, and guarantees the insurers' financial stability. In order to preserve stability and transparency in the insurance sector, it establishes rules for disclosure standards, investment programs, and solvency margins. Financial performance analysis is used in the insurance industry to help stakeholders, including as investors, policyholders, and regulators, understand the company's capacity to fulfill its commitments and maintain long-term growth.

As long as the premiums paid stay in India, the Indian government has increased the cap on foreign direct investment (FDI) in the insurance industry from 74% to 100%. It is anticipated that this policy adjustment, which was included in the Union Budget 2025–2026, will promote increased foreign involvement in the industry. A financial product called insurance is intended to shield people and companies from monetary losses brought on by unanticipated circumstances.

OBJECTIVE OF THE STUDY

- ❖ To evaluate the pre and post financial performance of life insurance corporation and sbi life insurance.
- ❖ To analyzing key financial indicators, including premium growth, profitability, expenses ratio and investment income in sbi life insurance and life insurance corporation of India. sources of income for temple to the selected city.

RESEARCH TECHNIQUES

The sampling technique used in this study is Purposive Sampling Technique. Purposive sampling is a non-probability sampling method and it occurs when “elements Selected for the sample are chosen by the judgment of the researcher. The reason for choosing life insurance corporation and sbi life insurance limited for our study is based on the familiarity of the company. This study is primarily based on Secondary data. The major source of data analyzed and Interpreted in this study are collected from:

Company’s Website

1. <https://licindia.in>
2. <https://www.sbilife.co.in>

The database provides financial statements, management profile, history of the company and product profiles. The other data required by the study are collected from various websites also. Eight-year financial statements of life insurance corporation and Sbi life insurance Limited have been taken up for the study 2016-17 to 2023-24 (8 Years).

REVIEW OF LITERATURE

Dr. S. Vasić Dr. M. Janković and Dr. P. Petrović (2024) titled “A Comparative Analysis of Earnings and Profitability between LIC and Private Life Insurers in India examined the financial performance of six leading life insurers in India, including LIC and private companies. Using the CAMEL approach, the study analyzed financial solvency and operational efficiency through the CAMEL framework and two-tailed analysis. The results provided a comprehensive assessment of the financial health of major life insurers in India, highlighting significant differences between public and private sector companies.

Dr. R. K. Sharma 2024 study An Analysis of Life Insurance Company Performance in India Using the CAMEL Model evaluated the financial performance of publicly traded life insurance companies in India from 2015 to 2024. The study utilized the CAMEL model to analyze six key parameters: capital adequacy, asset quality, actuarial issues, reinsurance, management efficiency, earnings, and liquidity. The results provided valuable insights into the financial stability and performance of life insurance companies in India over the specified period, offering a comprehensive understanding of the industry’s financial health.

Dr. P. Mehta's 2024 study A Comparative Study of ICICI Prudential and SBI Life Insurance aimed to evaluate the growth and financial performance of ICICI Prudential and SBI Life Insurance. To achieve this objective, the study utilized various financial metrics and the CAMEL model for a comprehensive assessment, providing insights into the financial health and growth of both companies.

COMPANY DETAIL

In order to increase insurance coverage and guarantee people's financial security, the Government of India nationalized 245 private life insurance businesses on September 1, 1956, becoming the Life Insurance Corporation of India (LIC). The project was spearheaded by C.D. Deshmukh, the Finance-minister at the time, who was instrumental in forming the insurance industry in India. Although it became public in 2022, LIC has been owned by the government since its founding, with the government still holding the bulk of its shares. Siddhartha Mohanty is currently the Chairperson of LIC, and he leads the firm with four Managing Directors: Rahul Jain, Mukesh Kumar Gupta, Tablesh Pandey, and Ipe Mini. The Insurance Regulatory and Development Authority of India (IRDAI) regulates LIC, which is still the biggest and most reputable life insurer in the nation. One of the most reputable and well-known private life insurance providers in India is SBI Life Insurance, a joint venture between State Bank of India and BNP Paribas Cardif. On October 11, 2000, the business was incorporated, and on March 16, 2001, it started operating. Under the State Bank of India's auspices, SBI Life Insurance upholds a "Customer-First" concept that prioritizes preserving outstanding operational effectiveness and uncompromising ethical service standards.

DATA ANALYSIS AND INTERPRETATION

TABLE 1

TABLE SHOWING CURRENT RATIO CURRENT RATIO OF LIC AND SBI

YEAR	LIC	SBI
2016-17	3.07	1.89
2017-18	2.53	1.83
2018-19	3.11	1.78
2019-20	2.17	1.93
2020-21	2.16	1.69
2021-22	2.68	1.48
2022-23	3.14	1.85
2023-24	2.92	2.13

INTERPRETATION

LIC's current ratio (2.16-3.14) indicates strong liquidity, surpassing SBI's ratio (1.48-2.13). LIC's superior liquidity position may provide a competitive advantage, while SBI's recent improvement is notable.

TABLE 2

TABLE SHOWING NET PROFIT MARGIN NET PROFIT MARGIN IN LIC AND SBI

YEAR	LIC	SBI
2016-17	0.65	3.12
2017-18	0.46	3.40
2018-19	0.48	2.98
2019-20	0.44	3.24
2020-21	0.42	1.77
2021-22	0.56	1.81
2022-23	4.65	2.13
2023-24	4.82	1.43

INTERPRETATION

LIC's net profit margin improved significantly from 0.65% to 4.82%, indicating enhanced profitability and efficient operations. In contrast, SBI's margin declined from 3.40% to 1.43%, suggesting a need for improved operational efficiency and cost management.

FINDINGS

1. LIC Superior Liquidity: LIC current ratio (2.16-3.14) indicates a strong liquidity position.
2. SBI Weaker Liquidity: SBI current ratio (1.48-2.13) is relatively weaker, but shows recent improvement.
3. LIC consistently higher current ratio suggests better financial health and ability to meet short-term obligations.
4. SBI improved current ratio in recent years, reaching 2.13 in 2023-24, indicates potential for growth.

SUGGESTIONS

To enhance their financial performance, LIC and SBI Life Insurance may consider the following suggestions: LIC should maintain its strong liquidity position and explore growth initiatives like new product development or market expansion. SBI Life Insurance should focus on improving operational efficiency, managing liquidity effectively, and exploring cost-effective approaches to boost profitability and sustainability. By implementing these strategies, both companies can strengthen their financial positions and achieve long-term growth and success.

CONCLUSION

The financial performance analysis of LIC and SBI Life Insurance reveals distinct trends in liquidity and profitability. LIC's strong current ratio indicates better financial health and ability to meet short-term obligations, potentially providing a competitive advantage. Additionally, LIC's improving net profit margin trend suggests enhanced profitability and efficient operations. In contrast, SBI's relatively weaker liquidity position and declining net profit margin trend may require attention to operational efficiency and cost management. The differences in financial performance between the two entities may be attributed to their distinct business models and operational strategies.

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