



AN EMPIRICAL ANALYSIS ON PERFORMANCE OF GENERAL INSURANCE INDUSTRY IN INDIA

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ABSTRACT

The Insurance Industry in India has been initiated behind among the other developing countries in the world. The concept of General Insurance was established in India about 150 years ago. The insurance industry is divided into two segments as, Life Insurance and Non-Life Insurance. The former was nationalized in 1956 and the latter was nationalized in 1973. The Insurance Industry is regulated by IRDA (Insurance Regulatory and Development Authority) of India. The IRDA was enacted in the year 1999, which consists of one life insurer and five public sector non-life insurer. In the year 2007, it was increased to 16 life insurers and 15 non-life insurers. The General Insurance Companies are non-life insurers which currently involve in reinsurance business which is the national reinsurer. The present study focuses on the overall performance of General Insurance Industry in India, their financial efficiency for the period 2015-2016 to 2019-2020.

KEYWORDS: Insurance, Life Insurance, Non-Life Insurance, General Insurance, IRDA

INTRODUCTION

Insurance is one of primary and booming sector in India. In India the insurance industry comprises of 57 insurance companies out of which 24 are in Life insurance business and 33 are non-life insurers. In addition to this, there is a monopoly national reinsurer, namely General Insurance Corporation on India. The corporation was abbreviated as GIC Re which is governed by Indian Government has reinsurance company. The company was incorporated on 22nd November 1972 under companies' act, 1956. The headquarters of the corporation is located in Mumbai. The GIC business Nationalization act 1972, was amalgamated and divided into four companies namely, National Insurance Company Limited, The New India Insurance Company Limited, The Oriental Insurance Company Limited and The United India Insurance Company Limited. The GIC as a holding company and these companies became subsidiaries on 1st January, 1973. The organizational structure of the companies was four tier base which consists of Head office, Regional office, Divisional Office and Branch office.

The Insurance Industry is divided into two segments such as, life Insurance and Non-Life Insurance. The General Insurance fall under the Non-Life Insurance category and it is classified as fire, marine and miscellaneous insurance. The

Miscellaneous Insurance includes Engineering, Motor Vehicle, Health Insurance, etc. The study is based on the background that after liberalization the general insurance business is growing rapidly in India. The growth in performance of general insurance companies is due to entry of private companies with low insurance premium and prompt settlement of claim and further increasing awareness among the public. On the other hand, the public sector general insurers are forced compete with private sectors with innovative policies and services to the customers. Thus, the study examines the performance of General Insurance Industry for the past five years.

The term Insurance and Assurance have no differences which is used in Contract of Insurance. The term 'Insurance' is applied to contracts of Indemnity like Marine, Fire, etc. This is because the sum payable is determined by the extent of loss. The contract of Insurance other than human life is called General or Non-Life Insurance. The word 'Assurance' is used against the contract of indemnity, i.e., the insurer is liable to pay only in case of loss to property or goods, otherwise not.

REVIEW OF LITERATURE

Chandrashekhara.T and Sarala.K.S., (2017), has focused on the performance of public sector general insurance companies in India. The study also



examined the problems in premium and claim settlement of both private and public sector general insurers. The paper concluded that the performance of general insurance company in terms of premium is satisfiable. Though the public sector general insurance companies need to focus on creating new strategies to safeguard the policyholders.

Kavitha., Latha.A., Jamuna.S (2012), has studied the customer's Attitude towards General Insurance at Erode District. The study has listed 25 factors which are used to measure the difference in expectation of customers based on type of policy. The study concluded that customers are satisfied with the factors such as Courtesy of Staff, Speed in Claim Settlement, Promptness in issuing policy, knowledge of the person, etc. The study also witnessed that satisfying factors motivate the policy holders to purchase the policies in general insurance.

Lakshmana.B.C., Jayarami Reddy.P., and Sravan Kumar.P, (2019) has examined the operational efficiency of selected GIC companies in India. The study has observed that, public sector general insurance companies have initiated innovative policies to compete with private sector insurers. The study also highlighted that general insurance business is still in growth stage and it should focus on the people to create awareness on policies and services.

OBJECTIVE OF THE STUDY

- To examine the performance of premium of General Insurance Corporation of last Five years (2015-2016 to 2019-2020).
- To access the financial efficiency of GIC during the study period.

- To examine the performance of Components of Income to the General Insurance Corporation.

NEED FOR THE STUDY

The study focuses on analyzing the growth performance of Income of General Insurance Companies and financial performance of both private and public sector General insurers in India.

RESEARCH METHODOLOGY

The study is based on the overall performance of GIC in India. The study is based on secondary data which is collected from the Annual Report of IRDA and various bulletins such as Business Today, Economic times, etc. The period of study covers from 2015-2016 to 2019-2020. The collected data is calculated based on the objectives of the study using Simple Linear Regression and ANOVA.

HYPOTHESIS

- H₀1: There is no significant difference between the Operating Profit and Components of Income of GIC
- H₀2: The value of Gross Premium to Shareholders fund has no significant difference between the years.
- H₀3: The value of Current Assets to Total Assets has no significant difference between the years.

ANALYSIS AND INTERPRETATION

The below table shows the regression analysis of Operating profit and Components of Income of GIC in India.

$$Y = \alpha_0 + \alpha_1x_1 + \alpha_2x_2 + \alpha_3x_3 + u$$

Y = Operating Profit, x₁ = Net Premium, x₂ = Net Claims, x₃ = Net Commission, u = error term

Table I: Summary on Operating Profit to Components of Income of Gic

Model	R	R ²	Adjusted R Square	Std. Error
1	0.99	0.98	0.93	10686.84

Table II: Coefficients of Operating Profit to Components of Income Of Gic

Variables	Coefficients	Std.Error	t-value	p-value
Y	125897.90	31321.16	4.01	0.16
x ₁	0.03	0.01	4.54	0.02**
x ₂	0.04	0.01	2.88	0.06
x ₃	0.25	0.05	4.72	0.01*

*Significant at 1% level, **Significant at 5% level.

The table shows that the R² value of 0.98 has revealed that the significance of the estimate for 98 percent variations in Components of Income of GIC. The R² is 0.98 which implies that there is a strong correlation and is statistically significant at 1% and

5% level. Based on the statistical estimate at p = 0.01 the results of Net commission and at p = 0.05 the results of Net Premium have rejected the hypothesis and shows that there is significant effect on dependent variable.



Table III: Association between Gross Premium and Shareholders Fund Using Anova

Source of Variation	df	SS	MS	F	Sig. Value	Hypothesis Result	S/NS
Between Groups	1	6.31	6.32	25.58	0.02	Rejected	S
Within Groups	8	7.41	2.47				
Total	9	7.05					

The table shows that the significance value of Gross Premium and Shareholders fund is 0.11. the significant value of Shareholders fund is less than

0.02, the hypothesis is rejected and the result shows that there is significant relationship between Gross Premium and Shareholders fund.

Table IV: Association between Total Assets and Total Current Assets Using Anova

Source of Variation	df	SS	MS	F	Sig. Value	Hypothesis Result	S/NS
Between Groups	1	9.03	9.03	0.22	0.67	Accepted	NS
Within Groups	8	1.21	4.02				
Total	9	1.30					

From the above table it is witnessed that the significance value of Total Assets and Total Current Assets is 0.67. The significant value is greater than 0.05, the hypothesis is accepted and the result shows that there is no significant between Total Assets and Total Current Assets.

CONCLUSION

The study deals with the performance of General Insurance Companies in India which reveals that the net premium and net commission is significant with the operating profit of GIC during the study period 2015-2016 to 2019-2020. When comparing the Gross Premium with shareholders fund, it is significant at 5% level. The paper also observed that the cash flow of GIC has increased during the study period. This has witnessed that General Insurance has gained equal importance with Life Insurance. Premium is the vital source of general insurance corporation without which the business cannot exist.

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