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A study of liquidity analysis of selected non-life insurance companies

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Abstract
The present study attempts to analyse the liquidity position of the selected non-life insurance companies. Insurance Industry is one of the core sectors where the funds are directly mobilised by the small investors. There are mainly two types of Insurance *viz*. Life Insurance and non-life-General Insurance. General Insurance is also known as Non-Life Insurance Sector which is one of the core sectors to contribute to the growth of an Economy. The present research study focuses on the Liquidity of public and private Non-Life Insurance companies. The main aim of present research study is to analyse and compare the earnings and profitability of the selected non-life insurance companies.

Keywords: current assets, current liabilities, insurance, non-life insurance, liquidity

1. Introduction
Insurance is defined as a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that particular risk. Insurance is also defined as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person injured against the risk. Insurance provides financial protection against a loss arising out of happening of an uncertain event. A person can avail this protection by paying premium to an insurance company.

2. Objectives of the study
1. To evaluate the liquidity of selected non-life insurance companies working in India
2. To compare the Liquidity of selected non-life insurance companies.
3. To derive the appropriate conclusion and suggestions for measure of improvement for selected samples

3. Hypothesis of the study
H_0- There is no significant difference in the Liquidity Ratios amongst the selected Non-life Insurance Company.
H_1- There is significant difference in the Liquidity Ratios amongst the selected Non-life Insurance Company.

4. Research design
Present Study is based on the Secondary data collected from the annual published financial reports of all the selected samples. The study period for the present study is 10 years. The sample has been selected by considering the market cap of the insurance corporations. For the present study, researcher has taken total 8 insurance companies which include four from Public Sector and four from private sector. Following is the list of selected samples:

Public Sector Insurance Corporations
1. General Insurance Corporation of India
2. The New India Assurance Company Ltd.
3. United India Insurance Company Ltd.
4. The Oriental Insurance Company Ltd.
5. Bajaj Allianz General Insurance Co.

6. Reliance General Insurance Company Ltd.
7. TATA AIG General Insurance Company Ltd.
8. IFFCO TOKIO General Insurance Company Ltd.

For evaluating and comparing the profitability of selected private and public non-life insurance companies, following variables are taken:
1. Current Ratio (Current Assets / Current Liabilities)
2. Current Assets to Total Assets (Current Assets / Total Assets)
3. Current Liabilities to Total Liabilities (Current Liabilities to Total Liabilities)

For the present research problem, A Comparison is to be made between selected Private and Public Non-Life Insurance Companies. Here the average of all the variables is taken and ANOVA F-Test is used to test the hypothesis at 5% level of Significance.

5. Data analysis and interpretation
Data Collection, Presentation, Analysis and Interpretation is the vital part of any research study. Data Collection is the pivot for any research. It is the core component with which the research study can be carried on. For the present study Earnings and Profitability Analysis is done for evaluating and analyzing the performance of the Selected Non-Life Insurance Companies. For testing of hypothesis, here we have used two statistical tools namely F-Test ANOVA for testing the performance of Private and Public Non Life Insurance Companies during the study period of last ten years

5.1 current ratio
Current Ratio is the first liquidity ratio which shows the proportion of Current liability with the current assets of business organization.
Current Asset includes Cash in Hand, Bank Balance, Debtors, Bills Receivables, Inventories, Prepaid Expenses, Accrued income and Short term investments (marketable securities). Current Liabilities includes Creditors, Bills Payable, Outstanding Expenses, Provision for Taxation, Net advance tax, Bank Overdraft, Short term Loans, Income received in advance, etc.

Table 1: Current ratio of selected samples

Name of Company / Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Insurance Corporation of India	0.71	0.84	0.76	0.8	0.79	0.8	0.82	0.89	0.83	0.76
The New India Assurance Co. Ltd.	1.04	0.92	0.98	0.93	0.95	0.63	0.74	0.71	0.71	0.65
United India Insurance Co. Ltd.	0.59	0.43	0.46	0.39	0.39	0.35	0.36	0.37	0.31	0.25
The Oriental Insurance Co. Ltd.	0.74	0.57	0.57	0.54	0.59	0.6	0.57	0.5	0.54	0.52
Bajaj Allianz General Insurance Co. Ltd.	0.56	0.41	0.44	0.43	0.36	0.35	0.24	0.33	0.19	0.24
Reliance General Insurance Co. Ltd.	0.75	0.22	0.16	0.36	0.31	0.14	0.19	0.17	0.2	0.18
TATA AIG General Insurance Co. Ltd.	0.62	0.33	0.28	0.29	0.28	0.33	0.26	0.32	0.41	0.29
IFFCO TOKIO General Insurance Co. Ltd.	1.19	0.81	0.82	0.81	10.86	0.85	0.51	0.14	0.28	0.18

Table 2: Anova statistics for current ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Companies	14.45307	7	2.064724	1.561758	0.163412	2.158829
Between Years	12.96481	9	1.440535	1.089621	0.383177	2.032242
Error	83.28922	63	1.322051			
Total	110.7071	79				

The above Table No. 1 and Table No. 2 show the Current Ratio of Selected Samples and ANOVA statistics for the Current Ratio respectively for test of hypothesis using 5% level of significance. For the present study, the hypothesis is based on the ANOVA for analyzing the performance of selected Non-Life Insurance companies.
H_0= There is no significant difference in the Current Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years (Between Companies).
H_1= There is significant difference in the Current Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years (Between Companies)
At 5% level of significance the ANOVA table value is 2.1588.

The calculated value for ANOVA ‘F-Test’ for Current Ratio between Companies is 1.561 while the Table value is 2.158, which is lower than the table value. So, Null hypothesis is accepted and alternate hypothesis is rejected. It shows that there is no significant difference exists in the Current Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years.

5.2 Current assets to total assets ratio
It indicates the extent of Total funds invested for the purpose of working capital and throws the light on the importance of Current Assets of a firm. It should be worthwhile to observe that how much of that portion of total assets is occupied by the current assets, as current assets are essentially involved in the formation of working capital and also take active part in increasing liquidity.

Table 3: Current assets to total assets ratio of selected samples

Name of Company / Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Insurance Corporation of India	0.36	0.43	0.66	0.71	0.64	0.52	0.63	0.61	0.71	0.72
The New India Assurance Co. Ltd.	0.43	0.44	0.57	0.56	0.62	0.48	0.58	0.47	0.47	0.51
United India Insurance Co. Ltd.	0.36	0.33	0.47	0.47	0.45	0.36	0.44	0.66	0.6	0.76
The Oriental Insurance Co. Ltd.	0.39	0.35	0.39	0.41	0.42	0.41	0.46	0.5	0.55	0.75
Bajaj Allianz General Insurance Co. Ltd.	137.36	112.39	132.22	119.43	87.75	70.42	44.37	59.28	57.8	47.24
Reliance General Insurance Co. Ltd.	82.67	26.56	17.69	57.54	55.87	29.5	76.17	59.26	78.35	73.05
TATA AIG General Insurance Co. Ltd.	107.9	69.63	71.46	73.24	65.01	71.8	53.67	63.69	68.89	96.32
IFFCO TOKIO General Insurance Co. Ltd.	214.4	201.59	244.63	235.69	216.94	197.52	109.9	34.44	72.5	47.2

Table 4: Anova table for current assets to total assets ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Companies	232479.4	7	33211.35	31.57619	2.62E-18	2.158829
Between Years	13393.43	9	1488.159	1.414889	0.201007	2.032242
Error	66262.43	63	1051.785			
Total	312135.3	79				

The above Table No. 3 and Table No. 4 show the Current Assets to Total Assets Ratio of Selected Samples and ANOVA statistics for the Current Assets to Total Assets Ratio respectively for test of hypothesis using 5% level of significance. For the present study, the hypothesis is based on the ANOVA for analyzing the performance of selected Non-Life Insurance companies.

H_0= There is no significant difference in the Current Assets to Total Assets Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years.

H_1= There is significant difference in the Current Assets to Total Assets Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years.

At 5% level of significance the ANOVA table value is 2.1588.

The calculated value for ANOVA 'F-Test' for Current Assets to Total Assets Ratio between Companies is 31.576 while the Table value is 2.158, which is higher than the table value. So, Null hypothesis is rejected and alternate hypothesis is accepted. It shows that there is significant difference exists in the Current Assets to Total Assets Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years (Between Companies).

5.3 Current liabilities to total assets ratio

Current Liabilities are the short term obligation for the payment within a span of one year. In simple word, there should be enough funds available with the insurance companies or any business entity to pay their short term dues. There must have proper balance between Long Term and Short Term Liabilities. Current Liabilities to Total Assets ratio shows the ability of the firm to pay off their short term debts soundly. Higher the ratio better will be the position.

Table 5: Current liabilities to total liabilities ratio of selected samples

Name Of Company / Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
General Insurance Corporation of India	0.47	0.52	0.86	0.89	0.82	0.65	0.76	0.69	0.86	0.94
The New India Assurance Co. Ltd.	0.41	0.47	0.58	0.6	0.65	0.75	0.77	0.66	0.66	0.78
United India Insurance Co. Ltd.	0.6	0.75	1.02	1.21	1.15	0.8	1.22	1.78	1.93	3.12
The Oriental Insurance Co. Ltd.	0.52	0.61	0.69	0.75	0.71	0.68	0.81	1	1.02	1.43
Bajaj Allianz General Insurance Co. Ltd.	2.27	2.76	3.03	2.76	2.41	1.98	1.83	1.76	1.97	1.95
Reliance General Insurance Co. Ltd.	1.1	1.16	1.1	1.59	1.79	2.04	3.56	3.44	3.89	4.15
TATA AIG General Insurance Co. Ltd.	1.73	2.08	2.54	2.54	2.35	2.25	2.06	1.99	2.26	3.37
IFFCO TOKIO General Insurance Co. Ltd.	1.8	2.48	2.9	2.9	2.52	2.32	2.19	2.4	2.56	2.56

Table 6: Anova table for current liabilities to total liabilities ratio

Source of Variation	SS	df	MS	F	P-value	F crit
Between Companies	46.45563	7	6.636518	24.33416	1.1E-15	2.158829
Between Years	7.203276	9	0.800364	2.9347	0.005699	2.032242
Error	17.18163	63	0.272724			
Total	70.84054	79				

The above Table No. 5 and Table No. 6 show the Current Liabilities to Total Liabilities Ratio of Selected Samples and ANOVA statistics for the Current Liabilities to Total Liabilities Ratio respectively for the test of hypothesis using 5% level of significance. For the present study, the hypothesis is based on the ANOVA for analyzing the performance of selected Non-Life Insurance companies.

H_0= There is no significant difference in the Current Liabilities to Total Liabilities Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years

H_1= There is significant difference in the Current Liabilities to Total Liabilities Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years.

At 5% level of significance the ANOVA table value is 2.1588.

The calculated value for ANOVA 'F-Test' for Current Liabilities to Total Liabilities Ratio between Companies is 24.334 while the Table value is 2.158, which is higher than the table value. So, Null hypothesis is rejected and alternate hypothesis is accepted. It shows that there is significant difference exists in the Current Liabilities to Total Liabilities Ratio of the selected Non-Life Insurance Companies from Insurance Sector during the study period of ten years (Between Companies).

5.4 Summary findings and suggestions

From the above research study following findings and suggestions can be put.

Name of Ratio	Hypothesis Accepted/Rejected
Current Ratio	H_0 Null hypothesis Accepted
Current Assets to Total Assets Ratio	H_1 Alternate hypothesis Accepted
Current Liabilities to Total Liabilities Ratio	H_1 Alternate hypothesis Accepted

1. From the above research, For Current Ratio, the Null hypothesis is accepted and Alternate hypothesis is rejected. It means that the difference is not exists in the current ratio of selected Non-Life Insurance Companies during the study period of ten years.
2. For Current Assets to Total Assets Ratio, the Alternate hypothesis is accepted and null hypothesis is rejected. It means that the difference is exists between Current Assets to Total Assets ratio of selected Life Insurance Companies during the study period of ten years.
3. From the above research, For Current Liabilities to Total Liabialities Ratio, the Null hypothesis is rejected and Alternate hypothesis is accepted. It means that the difference is exists amongst the selected samples for the Current Liabilities to Total Liabilities Ratio of Insurance Companies during the study period of ten years
4. In simple words, we can say that there is difference in the Liquidity performance amongst the selected samples of non-life insurance companies during the study period of ten years.

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