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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

FINANCIAL PERFORMANCE OF INDIAN GENERAL INSURANCE COMPANIES IN PRE RECESSION PERIOD

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ABSTRACT
Liberalization and globalization in Indian economy has changed the scenario to a large extent. With growing wealth and savings, behavior of investors and savers has changed and become more futuristic with aggressive risk taking appetite. India with more than 200 million middle class household has a great untapped potential in this sector. With drastic reforms and relaxed policies and regulation it become more competitive and unpredictable like other financial markets and have attracted several national international players competing with different insurance products and growing at rapid rates. In the light of these recent developments, a systematic analysis of the profitability and overall performance of general insurance is inevitable. The present study attempts to analyze the performance, growth and awareness of selected Indian general insurance companies 'like Bajaj Allianz General Insurance BAGI, Iffco-Tokio General Insurance ITGI, The New India Assurance Company ltd. , TNIA, Industrial Credit and Investment Corporation of India Lombard General Insurance (ICICI), The Oriental Insurance Company ltd. TOI, during the period of 2003-2007. For the purpose, ratios have been calculated and statistical tool ANOVA been implemented. At last concluding remarks and suggestions been given

JEL CODES
G20, G22, G28, G29

KEYWORDS
CR, PR, NPM, GPM, GPMR, SR, ANOVA, BAGI, ITGI, TNIA, ILGI, TOI.

INTRODUCTION
Survival of nation depends on growth which requires overall resources and finance is among the most important resources on which economical growth rotate. Insurance industry plays multiple significant roles in promoting economy of the nation. On one end it provides risk cover to individual or to projects and on other end it contribute long term funds generated from insurance products and policies which ultimately strengthen the economy. Insurance sector has made remarkable progress in mobilizing the resources and later in channelizing them. It has created big reservoir which is being utilized to fund socio- economic activities of national importance on socio- commercial base. It is direct descendent of the economic order and its growth and development has direct relationship with the levels of growth and sustainability of the nation's economy. Importance of insurance business covering wide variety of risk optimizes and increases with degree of changes in the environment. Everything has its life cycle and the journey of success and growth moves on the vehicles of various economic orders, from nomadic to agriculture, to information-economy to bio- economy. But due to high competition and technological up gradation and innovation, life of business and economies are becoming shorter and shorter and it has become a herculean task to predict the velocity of change. Therefore, befogging of business and emergence and reemergence of new economic models promoted law of increasing return in insurance sector to a great extent.

Indian insurance sector has created circular path, beginning from competitive liberalized market to nationalization and coming back again to a liberalized market. The organized business of insurance sector in India started without any regulations with the establishment of the Oriental Life Insurance Company in 1818. Due to British control the entire insurance industry was in the hand of overseas companies till 19th century. To regulate the insurance sector Life Insurance Companies Act was passed in 1912 but the first comprehensive legislation was introduced in 1938 as an Insurance Act. With growth and diversification it attracted innumerable operators but still far away to achieve maturity. The industry importance was recognized as a valuable assets and received due importance after independence. The need to cater the growing financial requirements and for better control in public interest after 1956 all the private insurance companies was nationalized to establish LIC. Further General Insurance Business Act was passed, and after 1972 all the non life insurance companies were nationalized and GIC got formed. In order to develop more effective reforms IRDA bill was initiated in the Parliament in December 1999 and later on 19th April 2000 Insurance Regulatory Development Authority (IRDA) was established and was entrusted with the power to regulate and register the private sector insurance companies along with protection of the interest of policyholders.

Indian Insurance Industry came a long way after independence in terms of innovative insurance product and policies, quality of services rendered and committed growth in penetration which has rose from 2.15% (2001-02) to 4.0% (2009-10) and achieved growth of insurance sector at the rate of 35%-40% year to year. After liberalization of Indian economy there was a remarkable improvement in Indian insurance sector, which is broadly characterized as Liberalization, privatization and globalization. The need of liberalizing the insurance sector was to free it from bureaucratic controls, to induce healthy competition and to provide multiple choices to the consumers through major structural transformations, by enhancing the efficiency of operation, reaching out to untouched areas and ultimately mobilizing long term financial reserves for socio- economic development. At early stage after independence LIC was the only company enjoying the monopoly. After liberalization and globalization of the economy the demand for financial resources increases, in order to support economic growth the door was opened for private insurance companies in 1999 under the strict supervision of IRDA and the journey of domestic and international private insurers started. Privatization infused the competition and witnessed dynamic changes (*Wide range of products, Insurance awareness, Insurance penetration, Increase contribution in GDP*) and phenomenal growth and ultimately forced the state players to adopt more attractive approach for their successful and smooth survival. By the end of 2007-08 in India there were 15 life insurance companies including 1 public sector companies and in General Insurance 5 public sector and 9 private sector companies were operating. Most of the private insurance companies are foreign multinational companies, either having their independent presence or operating indirectly through joint venture with reputed Indian business houses.

In India after privatization and liberalization there has been tremendous growth in insurance sector, "According to Business Line" that insurance industry grew to the size of 50, thousand crore in 2007, with compound annual growth of 175 percent and is likely to grow by over 200 percent and is expected to cross Rs 2 Lakh crore marks in business by 2010. It is expected that state owned insurance companies which was having monopoly with 99 percent insurance market in his hand till (2000) now have 64.34 % market share in 2009-10 will grow around 35-40 percent and private insurance companies with better communication, customer services, after sales services, product innovation and flexibility will grow by 140 percent. According to McKinsey, India's life insurance industry will double in the next five years from $40 billion to $ 80-100 billion in 2012. This growth would improve the level of insurance penetration from 5.1 % of GDP to 6.2% in 2010-2012.

Due to aggressive awareness and distribution approach of private sector insurers, the perception of customers considering insurance as a savings instruments or a tax saving tool has changed to risk cover and resulted phenomenal growth. Floating on the wave of growth the Life insurance sector, based on first year premium, has transformed itself from annual growth rates of 16-17 % in 2004-05 to 95% in 2006-07 and is expected stupendous growth in future. The general insurance industry has registered the growth of 11.6 percent till 2007-08. Consequently, private sectors participation in the non life insurance market rose from 26% in 2005-06 to around 40% in 2007-08 and public sector non life insurance grew by 8.6% in 2006-07. The market share of state owned companies recorded decline from 73% to 60%. The largest state owned company, New India Assurance recorded steepest declined from around 20% it came to 3%. By the mid 2007 market share of state owned companies came to 35% and on contrary private sector insurers market share surged to 40% in 2007 from 4% in 2001.

REVIEW OF LITERATURE

In the field of Insurance Industry large numbers of extensive research have been carried out worldwide in order to reveal the strength and opportunity along with its limitations. Through systematic and scientific approach the academicians and financial economist explored the obscure truth which became center of gravity and also set new parameters for others. However most of the studies are carried out in developed countries having sound earning and awareness and very few studies have been carried out in developing and underdeveloped countries. The studies carried out in India sub continent also lag behind in justifying the authenticity and validity of performance in insurance sector and thus invite study time to time. Keeping futuristic development, changes and consumer behavior in mind this study is conducted which is a humble initiative in these respects.

Kundu (2003) in his study discussed the impact of private participation in insurance industry. During his study he found that privatization have power to explore the potential of this sector to a extreme level by using latest technology and will penetrate deeply into the area which are untouched by the social sector insurance companies and this will provide opportunity to the mass who prefer regular and safe return with minimum risk, Kpse.S *and Kodwani d.g (2003)* in their study tried to explain the impact of the reforms. He suggested that for the purpose to attract all class of investors there is need to develop short term policies which have attractive features, safety of return, minimum risk and high liquidity, *Krishnamurthy. S, MonyS. V, Jhaveri. N, Bakhshi. S, Bhat. S and Dixit M R (2005)* in their paper tried to explain the status, growth and impact of insurance sector after liberalization and reforms. They revealed that growth of insurance sector depends on penetration which depends on awareness and quality services of insurance companies. Satisfaction of customer and increased saving will give pace to growth. Though reform has fueled the competition and created multiple choices to the customers' along with competitive efficiency, *Rastogi S and Sarkar R (2006)* in their research work identified and analyzed the causes and objectives which were instrumental for sector reforms. They found that India being second highly populated country in the world have least insurance. They compared present insurance industry status with pre liberalized era and augmented that this negativity can be converted into opportunity with proper reforms, *Murthy, R Babu and Ansari (2009)* in their study analyzed the performance of LIC in order to rationalize the impact of globalization and growing competitions which have been arises due to sector reforms. The study revealed that after reform LIC is facing direct competition from private players and has declined gradually with passing time. It is found that the growing competition became advantage to the customers and revolutionized the product range, efficient services in order to retain the policy holders and satisfying their expectations. Further they found that impact of competition is positive and have generated awareness and penetrated deeply and resulted in accumulated growth, *Pratima Chatterjee (2009)* in her study revealed that private insurer are improvising their growth rate year to year and on contrary LIC has declined to a great extent though it have still highest share in the market. Further she also found that with all problems industry is having upward trend, *C. Bharti, C. D. Balaji and Ch Ibohal Meithei (2011)* in their study examined the impact factor of reforms on the world fastest growing insurance market. They found that due to private participation entire industry has changed in all regards. The finding of the study suggests that insurance companies may not only focus on developing and improving the verity of products but explore new segments and develop effective strategies to achieve profitable growth.

OBJECTIVE OF THE STUDY

The core objective of the study is to understand and analyze their qualitative and quantitative performance and comparatively analyze their efficiency and profitability position. Another objective is to assess the best and worst performing among selected general insurance companies in India on the basis of their performance. The study is carried out to gain a practical exposure of financial analysis of general insurance companies in India.

HYPOTHESIS OF THE STUDY

The study tests whether the selected variables of sample companies vary significantly during the study period. This specific hypothesis is tested at appropriate time while analyzing and interpreting the results. Thus in orders to reveal authentic result following hypotheses have been taken to put on test:

H_1: The current ratio (CR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_2: The proprietory ratio (PR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_3: The solvency Ratio (SR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_4: The return on investment (ROI) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_5: The fixed asset to net worth Ratio (FANWR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_6: The gross profit margin Ratio (GPMR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_7: The net profit margin Ratio (NPMR) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

H_8: The fixed asset (FA) position of bajaj allianz, iffco-tokio, the new India assurance, icici Lombard, and the oriental insurance company differ significantly.

RESEARCH METHODOLOGY

The study is carried out to make comprehensive evaluation of five most trusted and preferred General Insurance Companies in India for the period of five year from 2003 to 2007. For the purpose, selection of companies listed on the Insurance Regulatory and Development Authority (IRDA) is done by using simple convenience sampling and the research design adopted for the study is analytical and descriptive which is based on the secondary data and the secondary sources of data were the various websites, published annual reports and balance sheet of the companies. The selected companies for the study are Bajaj Allianz General Insurance, Iffco-Tokio General Insurance, The New India Assurance Company Ltd., Industrial Credit and Investment Corporation of India Lombard General Insurance (ICICI), The Oriental Insurance Company Ltd.

TOOLS USED FOR DATA ANALYSIS

The outcome of the study depends on the selected time period, implemented statistical and financial tools by the researchers which may differ from other analysis. For interpreting the results and to analyze the data variables used are: Current ratio (CR), Proprietary ratio (PR), Solvency Ratio (SR), Returns on Investment (ROI), Fixed Asset to Net worth Ratio (FANWR), Gross Profit Margin Ratio (GPMR), Net Profit Margin Ratio (NPMR), and Fixed Asset (FA). Further statistical tool used for interpreting the results are One-Way Analysis of Variance (ANOVA).

FUNDAMENTAL ANALYSIS

Fundamental analysis is a scientific approach to analyze the performance of the company as it tries to estimate the intrinsic worth of the company. It effectively, qualitatively and quantitatively analyzes the basic fundamental criteria like sales, revenue and balance sheet studies and all other fundamental aspects of the company. It critically, strategically and minutely focuses on a company's debt-equity ratio, earning per share, dividend payout, profit margins, interest, asset and dividend coverage, sales penetration, market share, product and market innovation and the promoter's track record. It is a distinct conservative, non-speculative approach of evaluating equity shares on value based method and constitute three phases: economic analysis, industry analysis and company analysis. In this study we have analyzed five companies in the field of General Insurance Sector on the basis of Fundamental analysis. In fundamental analysis we find out the comparative balance sheet, profit & loss account of each company.

DATA ANALYSIS ITS INTERPRETATION AND TESTING OF HYPOTHESIS

This section of paper embodies the calculation and scientific analysis of selected variables taken for the study. The ratios are being calculated by the aid of raw data revealed by the researchers which encompasses yearly results and Balance Sheet of the sample general insurance companies, after calculation of ratios the individual ratios are analyzed. The statistical tool used for analysis is One-way Analysis of Variance (ANOVA). It is performed by using software known as SPSS and the analysis and interpretation of study is carried out on chronological order of the parameters mentioned above

CURRENT RATIO

The current ratio is an indicator of the firm's commitment to meet its short-term obligations. This ratio measure the solvency of the company in short term. Ratio of 2:1 is considered as an ideal as it indicates a highly solvent position. Above all, this ratio will have adverse impact on the profitability of the organization. It is an index of the organizations financial stability since it shows the extent of the working capital, which is the amount by which the current assets exceed the current liabilities and is calculated as follows:

$$\text{Current ratio} = \frac{\text{Current Assets, Loans\& Advances}}{\text{Current Liabilities \& Provisions}}$$

The Current Ratio position of the sample companies is summarized in Table No. 1, and discussed below.

TABLE 1: CURRENT RATIO (CR IN %) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.2605	0.8418	0.2961	0.4334	0
2004	0.2398	0.7332	0.3204	0.6292	0.2933
2005	0.207	0.6903	0.4645	0.522	0.3237
2006	0.3364	0.7788	0.5287	0.5561	0.3333
2007	0.2615	0.6745	0.5162	0.5654	0.4204
Average	0.26104	0.74372	0.42518	0.54122	0.27414

***Source**: Computed from the data available in annual reports of the concerned companies*

It has been revealed from the above Table No. 1, that during the study period the Current Ratio (CR) of all the selected companies are having increasing trend accept BAGI. On an average ITGI generated CR of (0.74372), which is highest among all, followed by ICICI Lombard (0.54122), TNIA (0.42518), TOI (0.27414) and Bajaj Allianz generated lowest CR among all selected companies of (0.26104). Thus analysis reveals that ITGI was the most efficient general insurance company in the terms of generating current ratio among all the selected sample companies in the study and Bajaj Allianz least performer.

The Current Ratio position of the sample General Insurance Companies is compared and tested using the following hypotheses. The details are shown in Table 2.

HYPOTHESIS TESTING

Ho: CR position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly**.**

Ha: CR position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly**.**

TABLE NO. 2: ONE-WAY ANOVA FOR CURRENT RATIO (CR)

Source of variation	Sum of Squares	Df	Mean Square	F-ratio	5% F Limit
Between Groups	.809	4	0.202	20.305	F(4,21)=2.87
Within Groups	.199	20	9.963E-03		
Total	1.008	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is 20.305 which is greater than the table value of 2.87 (CV > TV at 5% significance level), the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, it is concluded that the CR position of BAGI, ITGI, ILGI, TNIA, TOI differ significantly.

PROPRIETARY RATIO

This ratio expresses the relationship between shareholders net worth and total assets and it also explains the established relationship between proprietors fund and total assets. Proprietors' fund means share capital plus reserves and surpluses, both of capital and revenue nature. While in calculating the ratio losses should be deducted and funds payable to others should not be added. Higher preparatory ratio is considered good for the health of an organization which indicates sound financial position of the business. It can be found by using following formula,

$$\textbf{Proprietary Ratio} = \frac{\textbf{Owner's Equity / Shareholders Net Worth}}{\textbf{Total Asset}}$$

The Proprietary Ratio position of the sample General Insurance Companies is summarized in Table 3, and discussed below.

TABLE 3: PROPRIETARY RATIO (PR IN %) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.3788	0.4975	0.4405	0.3545	0
2004	0.2889	0.4049	0.559	0.4132	0.1279
2005	0.2449	0.3164	2.2036	0.3244	0.1437
2006	0.2524	0.371	1.7899	0.2275	0.1215
2007	0.2393	0.3318	2.2006	0.2684	0.1455
Average	0.28086	0.38432	1.43872	0.3176	0.10772

***Source**: Computed from the data available in annual reports of the companies concerned*

From the above Table No 3 it is been found that during study period BAGI, ITGI and ILGI were having decreasing trend while TNIA and TOI were having increasing trend. On and average among all the selected companies for the study The New India Assurance (TNIA) have substantially higher proprietary ratio than others which is (1.43872) followed by ITGI (0.38432), ICICI Lombard (0.3176), Bajaj Allianz (0.28086) and TOI have the lowest of (0.10772). Thus after analysis it has been found that TNIA was the most efficient general insurance company in the terms of generating proprietary ratio and TOI in spite of having increasing trend was the worst performer with lowest proprietary ratio among all.

The Proprietary Ratio (PR) position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 4.

HYPOTHESIS TESTING

Ho: PR position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: PR position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 4: ONE-WAY ANOVA FOR PROPRIETARY RATIO

Source of variation	Sum of Squares	Df	Mean Square	F-ratio	5% F Limit
Between Groups	5.648	4	1.412	9.024	F(4,20)=2.87
Within Groups	3.129	20	0.156		
Total	8.777	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is 9.024 which is greater than the table value of 2.87 (CV > TV at 5% significance level), the null hypothesis is rejected and hence it is concluded that the Proprietary ratio position of BAGI, ITGI, ILGI, TNIA, TOI differ significantly.

NET PROFIT MARGIN (NPM)

The net profit margin is designed to focus attention on the net profit arising from business operations before interest and tax is deducted. This ratio reflects its ability to earn on the total sales after deducting all expenses but before deducting interest and taxation. Thus, we use EBIT for the purpose. The convention is to express profit after tax and interest as a percentage of sales and can be found by using the following formula.

$$\frac{\text{Net Profit}}{\text{Total Revenues}} \times 100$$

The Net Profit Margin position of the sample companies is summarized in Table 5, and discussed below.

TABLE 5: NET PROFIT MARGIN (NPM IN%) OF OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.42537	0.0323	0.0727	0.2254	0
2004	0.09409	0.02949	0.1624	0.0115	0.1461
2005	0.1855	0.0387	3.8527	0.8131	0.1396
2006	0.2053	0.0279	-3.0339	1.5287	1.4186
2007	0.2334	0.0347	4.4798	0.9762	2.34
Average	1.14366	0.03262	1.10674	0.71098	0.80886

Source: *Computed from the data available in annual reports of the companies concerned*

From the above Table No. 5 it has been found that on an average BAGI has outperformed others selected samples companies and aggregated the highest average NPM of (1.14366) and followed by TNIA (1.10674), TOI (0.80886), ILGI (0.71098), and ITGI (0.03262) respectively. Thus after analysis it has been found that BAGI was the most efficient company in controlling indirect expenses when compared to others and ITGI with lowest NPA was the worst in controlling indirect expenses.

The NPM position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 6.

HYPOTHESIS TESTING

Ho: NPM position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly**.**

Ha: NPM position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 6: ONE-WAY ANOVA FOR NET PROFIT MARGIN (NPM)

Source of variation	Sum of Squares	Df	Mean Square	F-ratio	5% F Limit
Between Groups	4.006	4	1.002	0.321	F(4,20) = 2.87
Within Groups	62.356	20	3.118		
Total	66.362	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is .321 which is less than the table value of 2.87 (CV < TV at 5% significance level), the null hypothesis is accepted and hence it is concluded that the NPM position of BAGI, ITGI, ILGI, TNIA, TOI does not differ significantly.

GROSS PROFIT MARGIN RATIO (GPMR)

This ratio measures the GPM on the total net sales made by the company. It expresses the relationship between Gross Profit (Gross Margin) and Sales (net). It represents the excess of sales proceeds during the period under observation over the cost. Before taking into account administrative, selling and distribution and financing charges. To assess the efficiency of the company and its operations it is used as an effective tool and the outcome of it can be compared with previous year's results to find out the efficiency of the concern. It can be found by using formula as under:

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

The Gross Profit Margin position of the sample companies is summarized in Table 7, and discussed below.

TABLE 7: GROSS PROFIT MARGIN RATIO (GPM IN %) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.1129	0.0449	-0.0194	0.1738	0
2004	0.1153	0.0406	0.0154	0.0843	0.2438
2005	0.2091	0.0367	7.8666	1.4966	0.2255
2006	0.1429	0.0229	-3.7181	1.5769	0.1888
2007	0.1422	0.0322	4.9543	1.155	0.2344
Average	0.14448	0.03546	1.81976	0.89732	0.1785

Source: *Computed from the data available in annual reports of the companies concerned*

From the above Table No. 7 it has been found that during the study period among all the sample companies, TNIA sustained the highest average GPR of (1.81976) and followed by ILGI (0.89732), TOI (0.1785), BAGI (0.14448), and ITGI (0.03546) respectively. Thus, it has been found that TNIA is the most efficient and successful company in making Gross Profit among all the selected companies and ITGI is found to be worst performing companies in making Gross Profit.

The GPR position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 8.

HYPOTHESIS TESTING

Ho: GPR position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: GPR position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 8: ONE-WAY ANOVA FOR GROSS PROFIT MARGIN RATIO (GPMR)

Source of variation	Sum of Squares	Df	Mean Square	F-ratio	5% F Limit
Between Groups	11.395	4	2.849	0.664	F (4,20) = 2.87
Within Groups	85.815	20	4.291		
Total	97.210	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is .664 which is lower than the table value of 2.87 (CV <TV at 5% significance level), the null hypothesis is accepted and hence it is concluded that the GPR position of BAGI, ITGI, ILGI, TNIA, TOI does not differ significantly.

SOLVENCY RATIO

Solvency ratio is computed to measure the financial position of a business. It measures the capacity and ability of a company meeting out its short term obligation which may also include those liabilities which are not currently payable. It establishes relationship between total liabilities and total assets and measures the size of a company's after tax income; excluding non cash depreciation expenses, as compared to a firms total debt obligations. The ratio varies from industry to industry; in general solvency ratio of 20% is considered normal. Company's lower solvency ratio indicates the greater chances of default on its debt obligations. It can be computed by using following formula as under

$$\textbf{Solvency ratio} = \frac{\textbf{Total liability}}{\textbf{Total assets}}$$

The SR position of the sample companies is summarized in Table 9, and discussed below.

TABLE 9: SOLVENCY RATIO (%) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.6425	0.5009	0.5595	0.6643	0
2004	0.7069	0.592	0.4409	0.5809	0.5264
2005	0.7614	0.6937	4.4229	0.6669	0.4983
2006	0.7435	0.6388	3.7249	0.7457	0.391
2007	0.7618	0.67	3.8294	0.6851	0.4391
Average	0.72322	0.61908	2.59552	0.66858	0.37096

Source*: Computed from the data available in annual reports of the companies concerned.*

From the above Table No. 9 it has been found that during the study period among all the sample companies ITGI has performed better in handling total liability with higher total assets in every year. The study found that TOI have lowest average solvency ratio of (0.37096 %) followed by ITGI (0.61908 %), ILGI which have (0.66858), BAGI (0.72322) and TNIA has the highest among all that is (2.59552 %). Thus, it is been found that during study period TOI handled its liabilities efficiently and maintained it to lowest level and TNAI could not managed its liabilities efficiently and was found with highest percentage when compared to other selected companies.

The Solvency Ratio position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 10.

HYPOTHESIS TESTING

Ho: SR position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: SR position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 10: ONE-WAY ANOVA FOR SOLVENCY RATIO (SR)

Source of variation	Sum of Squares	Df	Mean Square	F-ratio	5% F Limit
Between Groups	16.364	4	4.091	5.399	F (4,20) = 2.87
Within Groups	15.155	20	0.758		
Total	31.519	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is 5.399 which is higher than the table value of 2.87 (CV > TV at 5% significance level), the null hypothesis is rejected and hence it is concluded that the SR ratio position of BAGI, ITGI, ILGI, TNIA, TOI differ significantly

RETURNS ON INVESTMENT (ROI)

The fundamental objective of a business entity is to earn a return on capital invested. This ratio of a company measures the ability of the management of the company who takes the decision of investment in order to generate adequate returns for the capital invested. It judges the overall performance of the concern. It measures how efficiently the sources entrusted to the business are being used. ROI analysis provides strong incentive for optimal utilization of the assets of the company in achieving the profits and its productivity. It provides judicious measures for assessing the profitability among different alternatives. It is consisting of two components (a) Profit Margin and (b) Investment Turnover. The rate of ROI can be determined by dividing net profit or income by capital employed or investment made to achieve the profit. The formula used to compute the ROI is as under

$$\text{Return on investment} = \frac{\text{Net profit}}{\text{Net Investment}} \text{ X 100}$$

The ROI position of the sample companies is summarized in Table 11, and discussed below.

TABLE 11: RETURN ON INVESTMENT (%) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	0.0672	0.0494	0.0309	0.018	0
2004	0.0537	0.0582	0.0514	0.1022	0.0487
2005	0.13	0.0707	0.0815	0.0817	0.0506
2006	0.0596	0.0292	0.6369	0.0453	0.1652
2007	0.0853	0.0515	1.1799	0.0349	0.2769
Average	0.07916	0.0518	0.39612	0.05642	0.10828

Source: *Computed from the data available in annual reports of the companies Concerned*

From the above Table No. 11 it has been found that during the study period TNIA outperformed all the sample companies in study with highest ROI of (0.39612) followed by TOI (0.10828), BAGI (0.07916), ILGI (0.05642), ITGI (0.0518) respectively. Thus analysis reveals that TNIA was the most efficient company in the terms to meet its long term obligations and ITGI found to be most inefficient company in order to meet its long term obligations.

The ROI position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 12.

HYPOTHESIS TESTING

Ho: ROI position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: ROI position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 12: ONE-WAY ANOVA FOR RETURNS ON INVESTMENT

Source of variation	Sum of Squares	Df	Mean Square	F-Ratio	5% F Limit
Between Groups	0.425	4	0.106	1.963	F (4,20) =2.87
Within Groups	1.083	20	5.416E-02		
Total	1.509	24			
Source: One-way ANOVA has been calculated by SPSS					

Inference: Since the calculated value of F is 1.963 which is less than the table value of 2.87 (CV < TV at 5% significance level), the null hypothesis is accepted and hence it is concluded that the ROI position of BAGI, ITGI, ILGI, TNIA, TOI does not differ significantly.

FIXED ASSET TO NET WORTH

This ratio reflects the relationship between total fixed assets and the net worth of the concern. Total fixed assets are taken at the value shown at the end of the year as a whole. It can be computed by using following formula as under

Fixed Asset to Net Worth = $\dfrac{\textbf{Total Fixed Asset}}{\textbf{Net worth}}$

The FANW position of the sample companies is summarized in Table 13, and discussed below.

TABLE 13: FIXED ASSET TO NET WORTH (%) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	2.1979	1.1625	1.8206	2.0089	0
2004	2.8745	1.3977	1.4611	1.5359	6.6099
2005	3.4389	1.6469	3.6057	2.0096	5.8363
2006	2.9704	1.3545	4.4868	2.5726	7.1578
2007	3.3469	1.6521	3.6458	2.2829	5.6045
Average	2.96572	1.44274	3.004	2.08198	5.0417

***Source**: Computed from the data available in annual reports of the companies concerned*

The data from the above Table No. 13 reveal that on aggregate basis, TOI (5.0417) had the highest Fixed Asset to Net worth Ratio among all the selected companies during the period of study and followed by TNIA (3.004), BAGI (2.96572), ILGI (2.08198), and ITGI (1.44274) respectively. Thus, from the above data it can be concluded that TOI has managed highest proportion of Total fixed Assets in its total net worth and hence is the most efficient company among all other sample companies and ITGI in comparison found to be most inefficient with least ratio.

The FANW position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 14.

HYPOTHESIS TESTING

Ho: FANW position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: FANW position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 14: ONE-WAY ANOVA FOR FIXED ASSET TO NET WORTH

Source of variation	Sum of Squares	Df	Mean Square	F-Ratio	5% F Limit
Between Groups	36.973	4	9.243	4.424	F (4,20) =2.87
Within Groups	41.788	20	2.089		
Total	78.761	24			
Source: One-way ANOVA has been calculated by SPSS					

Inference: Since the calculated value of F is 4.424 which is higher than the table value of 2.87 (CV > TV at 5% significance level), the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, it is concluded that the FANW position of BAGI, ITGI, ILGI, TNIA, TOI differ significantly.

FIXED ASSETS

This ratio is important for the company's long term policy and is computed to determine the efficiency of utilizing the fixed assets. It measures the relationship between net sales and Net total Fixed Assets. It is difficult to interpret as asset values are based on historic cost and produce variation in valuation of fixed assets by sale or purchase of any assets. This ratio indicates the number of times total assets are being turned over in a year. Higher ratio indicates the overtrading of total assets and low ratio indicates idle capacity. This ratio can be computed by using following formula as under:

Fixed Asset = $\dfrac{\textbf{Sales}}{\textbf{Fixed Asset-Depreciation}}$

The FA position of the sample companies is summarized in Table 15, and discussed below:

TABLE15: FIXED ASSETS (%) OF SAMPLE COMPANIES

Year	BAGI	ITGI	TNIA	ILGI	TOI
2003	9.0389	15.965	16.0935	59.1713	0
2004	7.9748	27.6256	17.4438	48.6021	34.2813
2005	12.0867	50.9015	0.9125	1.0743	36.3594
2006	16.6126	66.2845	-1.9504	0.7358	0.2
2007	16.8432	81.8364	0.2457	0.8032	0.237
Average	12.5112	48.5226	6.54902	22.0773	14.2155

***Source**: Computed from the data available in annual reports of the companies concerned.*

The data from the above Table No. 15 reveal that during the study period on aggregate basis, ITGI had achieved the highest sales and has managed highest Fixed Asset Ratio that is (48.5226) followed by ILGI (22.0773), TOI (14.2155), BAGI (12.5112), and TNIA (6.54902) respectively. From the study it has been found that ITGI managed its resources efficiently and utilized its assets to optimal level and TNIA was found to be most inefficient in handling its assets and have lowest ratio among all the selected companies.

The FA Ratio position of sample companies are compared and tested using the following hypothesis. The details are shown in Table 16.

HYPOTHESIS TESTING

Ho: FAR position of BAGI, ITGI, ILGI, TNIA and TOI does not differ significantly.

Ha: FAR position of BAGI, ITGI, ILGI, TNIA and TOI differ significantly.

TABLE 16: ONE-WAY ANOVA FOR FIXED ASSET RATIO

Source of Variation	Sum of Squares	Df	Mean Square	F-Ratio	5% F Limit
Between Groups	5426.601	4	1356.650	3.283	F (4,20) =2.87
Within Groups	8265.179	20	413.259		
Total	13691.780	24			

Source: One-way ANOVA has been calculated by SPSS

Inference: Since the calculated value of F is 3.283 which is greater than the table value of 2.87 (CV < TV at 5% significance level), the null hypothesis is rejected and hence it is concluded that the FA ratio position of BAGI, ITGI, ILGI, TNIA, TOI differ significantly.

TABLE NO. 17 RANKING AFTER AGGREGATING SECURED POSITION IN FUNDAMENTAL RATIO

Ratio	BAGI	ITGI	ILGI	TNIA	TOI,
Current Ratio (CR)	5th	**1st**	2nd	3rd	4th
Proprietary Ratio (PR)	4th	2nd	3rd	**1st**	5th
Net Profit Margin Ratio (NPM)	**1st**	5th	4th	2nd	3rd
Gross Profit Margin Ratio (GPMR)	4th	5th	2nd	**1st**	3rd
Solvency Ratio (SR)	4th	3rd	3rd	5th	**1st**
Returns on Investment (ROI)	3rd	5th	4th	**1st**	2nd
Fixed Asset to Net Worth (FANW)	3rd	5th	4th	2nd	**1st**
Fixed Assets (FA)	4th	**1st**	2nd	5th	3rd
Ranked after Aggregating	**28**	**27**	**24**	**20**	**22**

From the above Table No.17 it has been found that with three first positions (PR, GPMR, and ROI) and aggregate of 20, TNIA has secured the top rank among all the competing companies followed by TOI on second rank with two first positions in SR and FANW and aggregate of 22, ILGI third rank with aggregate of 24, ITGI forth rank with aggregate of 27 and BAGI fifth rank with aggregate of 28 respectively

FINDINGS OF THE STUDY

- From the study it has been found that among all the selected companies ITGI has outperformed other competing companies and generated highest CR of (0.74372) and BAGI generated lowest CR of (0.26104).
- From the study it has been found that among all the selected companies TNIA had performed fairly better in proprietary ratio and had managed the higher of (1.43872) and TOI is found to be the most inefficient company in managing the ratio and has the lowest proprietary ratio of (0.10772).
- From the study it has been found that BAGI has aggregated the highest average NPM of (1.14366) and outperformed other competing companies in controlling the indirect expenses and ITGI with lowest NPA of (0.03262) was the worst in controlling indirect expenses.
- From the study it has been found that among all the selected companies TNIA is found to be the most efficient company and maintained the highest average GPR of (1.81976) and ITGI is found to be worst performing companies in making Gross Profit with lowest GPR (0.03546).
- From the study it has been found that among all the selected companies TOI handled its liabilities efficiently and maintained it to lowest level of (0.37096) and TNAI found to be the most inefficient company in managing its liabilities and have highest percentage of ratio that is (2.59552).
- From the study it has been found that among all the selected companies TNIA is the most efficient company in the terms to meet its long term obligations and has the highest ROI of (0.39612) and ITGI with the lowest ROI of (0.0518) is found to be the most inefficient companies in meeting its long term obligations.
- From the study it has been found that among all the selected companies TOI proven to be the most efficient company and had maintained the highest Fixed Asset to Net worth Ratio of (5.0417) and ITGI with lowest ratio of (1.44274) found to be most inefficient company.
- From the study it has been found that among all the selected companies ITGI managed its resources efficiently and utilized its assets to optimal level and have highest average Fixed Asset Ratio of (48.5226) and TNIA was found to be most inefficient in handling its assets and have lowest ratio of (6.54902).
- The New India Assurance Company ltd. (TNIA) has secured third position in CR with (0.42518), first position in PR with (1.43872), second position in NPM with (1.10674), and first position in GPMR with (1.81976), fifth position in SR with (2.59552), first position in ROI with (0.39612), second position in FANW with (3.004), fifth position in FA with (6.54902).
- The Oriental Insurance Company ltd (TOI) has secured fourth position in CR with (0.27414), fifth position in PR with (0.10772), third position in NPM with (1.14366), third position in GPMR with (0.1785), first position in SR with (0.37096), second position in ROI with (0.10828), first position in FANW with (5.0417), third position in FA with (14.2155).
- Industrial Credit and Investment Corporation of India Lombard General Insurance (ILGI) has secured second position in CR with (0.54122), third position in PR with (0.3176), fourth position in NPM with (0.71098), second position in GPMR with (0.89732), third position in SR with (0.66858), forth position in ROI with (0.05642), forth position in FANW with (2.08198), second position in FA with (22.0773).
- Iffco-Tokio General Insurance (ITGI) has secured first position in CR with (0.74372), second position in PR with (0.38432), fifth position in NPM with (0.03262), fifth position in GPMR with (0.03546), third position in SR with (0.61908), fifth position in ROI with (0.0518), fifth position in FANW with (1.44274), first position in FA with (48.5226).
- Bajaj Allianz General Insurance (BAGI) has secured fifth position in CR with (0.26104); fourth position on PR with (.28086), first position in NPM with (1.14366), fourth position in GPMR with (0.14448), fourth position in SR with (0.72322), third position in ROI with (0.07916), and third position in FANW with (2.96572), and fourth position in FA with (12.5112),
- From the study of all fundamental ratios of five companies it has been found that TNIA is better general insurance company and has secured the top rank among all the selected companies in the study. It had performed fairly better in proprietary ratio and has utilized its resources to optimal level and has earned return on its capital invested. It has positively maintained its GPR and ROI and has ability to meet out its long term obligations efficiently and BAGI is found to be the worst performer in all the fundamental parameter and have been ranked to lowest level among all the selected companies in the study.

CONCLUSION & SUGGESTIONS

Philosophy of Insurance is a futuristic approach relay on present economic structure and invites overall analysis of the general insurance industry and consumer financial capacity. From investment decisions point of view fundamental analysis is important as it aims at developing an insight into the performance of the insurance business and reveals the hidden truth for over all betterment. It is also important due to growing competition which has direct impact on consumer market. Despite of astonishing growth, Indian insurance sector have to face many unpredictable challenges like, regulatory challenges, corporate governance, stakeholders conflicts management, low market penetration, inefficient work force, capital adequacy and fund management, customer relationship and risk management, multi channel distribution network management, knowledge management, convergence management. In order to minimize if cannot control these challenges government and insurers have to formulate suitable strategies so that the insurance industry may become able to achieve its objective. To avail the advantage of untapped market company will fuel the competition to an extreme level with new and multi breed insurance product, with excellent and confused features with extensive services and price options. Sector success largely depends upon effective and efficient implementation of IRDA regulations which have existence with confused implementation. The study found that awareness about the insurance product to mass is very low which should be improvised and mass should be informed about its merits and demerits and its documentations. After sale services of the insurance companies were found at minimum which should be made efficient and policies holders must be kept informed about their each and every things related to their policies. In order to achieve the target and monetary reward companies employs provide wrong information to the policy holder and even at the time of maturity they repeat the same activity and this act has created difference and mistrust. IRDA have to take stiff action on the companies in order to develop trust among the interested parties. Companies have to launch good tax saving and flaxy schemes along with proper guidance to the investor to invest their ideal money. Further, futuristic and concrete effort is required from all players including government as a parent body along with consolidating the development of the sector, common code of conduct, development of reserves funds, effective claim and settlement procedure etc which are presently very weak and need justified coordination and implementation. With vast untapped potential supported by domestic saving has attracted multinational insurance giant and they are exited enough and are ready to establish their competitive presence in emerging market. GOI have to take care about the multinational companies limit in Indian market keeping public interest in mind. Companies with fair and attractive product with pan India presence will rip the advantage and will establish their business for long run. Thus the present study has been conducted to examine the economic sustainability of the five major General Insurance Companies in Indian insurance sector "BAGI, ITGI, ILGI, TNIA and TOI". The outcome of the study produced that The New India Assurance Company Ltd (TNIA) had performed better than other selected companies in the study and topped the rank and followed by TOI second rank, ILGI third rank, ITGI forth rank and BAGI fifth rank respectively.

The fundamental analysis is done by calculating ratios, which are tools of qualitative analysis and may override the quantitative aspects. Companies follow different accounting policies which impact the result. All the analysis is carried out on published financial report of the companies which are window dress presentation and the produced result cannot be judicious. Interpretation of analysis can be used by the expert person not by the common policy holder so periodical reports should be in such a manner in which common citizen can understand the growth, risk and return of the sector. In last, success depends upon trust which is to be developed by reducing the shortcoming discussed above.

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