

Comparative Analysis of Shareholders' Profitability: Evidence from Selected Private Insurance companies in India

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Abstract

The present study aims to analyse and compare the shareholders' profitability performance of selected private insurance companies in India and the variables considered for the study are Return on equity (ROE) and Earnings per share (EPS). One-way ANOVA test was conducted and the results indicate that there was no statistically significant difference in ROE but there is a statistically significant difference in EPS among the companies chosen for the study. The Tukey Post Hoc Test was conducted which measured significant differences in EPS performance among selected private insurance companies and the results show SBI Life Insurance Earning per share is comparatively better than other companies during the study period.

Keywords: Private Insurance companies, EPS, ROE, One-way ANOVA, Tukey Post Hoc Test.

1. Introduction

In any country the Insurance sector plays a major role in economic development and financial development as its major goal is to provide financial assistance against risk and uncertainties to the general public. The insurance sector aims to mobilises savings in an economy and promotes investments thereby acting as an intermediary which leads to capital formation and economic growth. Earlier the insurance sector in India was largely dominated by public sector insurance companies but after liberalisation and establishment of Insurance Regulatory and Development Authority of India (IRDAI) led to entry of private sector insurance companies which increased the competition, operational efficiency, customer service and awareness, innovation, digital service, penetration of business, and diversification of products thereby strengthening the Insurance sector and financial system.

Due to its significant importance in India, the private sector companies are attracting more investors. So, understanding and evaluating shareholders' profitability is important because it shows the company's ability to generate returns to its investors and equity shareholders. Therefore, a comparative study is conducted to understand shareholders profitability among major private sector insurance companies to help investors and other stakeholders in investment decisions making in private insurance companies.

Among the all-profitability indicators, Return on Equity (ROE) and Earnings Per Share (EPS) are widely used in measuring and evaluating shareholders' profitability and overall profitability. ROE and EPS provide valuable insights into the investment attractiveness of insurance companies. Therefore, the

following study aims to examine whether there exists any significant difference in ROE and EPS among the selected private insurance companies in India and the findings of this study are expected to provide meaningful insights into shareholders' profitability and comparative financial performance within the Indian private insurance sector.

2. Review of Literature

Adhikari and Ghosh (2022), their study was conducted on Indian insurance companies to assess the relationship between size and financial performance for the period of 10 years 2010–2011 to 2019–2020. For data analysis financial ratios, mean, standard deviation, and One-Way ANOVA were applied. The findings of study show that company size influenced financial performance positively and Increased competition among insurance companies significantly influenced financial performance.

Akotey, J. O., Sackey, F. G., Amoah, L., and Frimpong Manso, R. (2013), they studied financial performance of life insurance companies in Ghana covering a period of 11 years from 2000 to 2010. The findings of the study are that gross written premiums had positive relationship with sales profitability, indicating that premium growth contributes positively to company revenue generation, but showed negative relationships between gross written premiums and investment income, and many life insurance companies experienced significant underwriting losses due to overtrading and price undercutting practices. The study emphasized that excessive focus on premium growth without proper price validation could create financial instability and increase underwriting losses

Amsaveni, M. R., and Selvan, M. C. (2020), analysed the financial performance of selected private insurance companies in India for a period of eleven years from 2007 to 2017. Profitability was measured by financial variables such as company size, operating ratio, underwriting risk, volume of capital, and net earnings ratio. Mean, Standard Deviation, Coefficient of Variation, Annual Growth Rate (AGR), and t-test are employed for data analysis. The findings of the study are SBI Life Insurance recorded the highest significant growth in terms of company size and in the case of operating ratio, ING Vysya Life Insurance achieved the highest significant growth. Further, TATA AIG Life Insurance Company (TATA AIG) showed strong growth performance with respect to underwriting risk management.

Bandhu Jena (2014), analysed the financial performance of Selected insurance companies in India in 2014 and evaluated their contribution to the Indian economy. The researcher revealed that financial planning and management significantly influenced the operational success and profitability of insurance companies and also effective utilization and management of funds had a positive impact on company performance and sustainability.

Bodla, Tandon, and Bodla (2017), this study aims to assess and compare the profitability of public and private sector Insurance companies in India. For the study, 13 private insurance companies and 1 public insurance company are selected and the period of study is of ten years from 2007 to 2016. The variables considered for the study are Net Premium, Income from Investments, Underwriting Income, Return on Assets (ROA), Combined Ratio, Solvency Ratio, and Profit After Tax (PAT). The findings of the study revealed that among all the private life insurance companies, ICICI Prudential Life Insurance recorded the

highest average net premium during the last five years of the study period followed by HDFC Life Insurance and the study also concluded that significant differences existed in profitability among insurance companies.

Chakraborty, J. (2017), the study analysed financial soundness of insurance companies by applying CAMELS Framework. For conducting this research study 18 life insurance companies in India during the period from 2008–09 to 2014–15 is considered and adopted the ratio-based CAMELS framework. The findings of the study revealed that private life insurance companies performed impressively and they challenged the public sector insurer LIC (Life Insurance Corporation of India) and the global financial crisis of 2007–08 had a negative impact on profitability and investment yields.

Chilumuri, D. S. R. (2013) conducted the study to understand the performance of SBI life insurance company in 2012. The main objective of this study is to understand progress and development made by Indian insurance sector and also to evaluate the financial performance and operational efficiency of SBI Life Insurance Company Ltd. The findings of this study show SBI Life Insurance had achieved significant growth due to its extensive network, customer-based services, competitive pricing, and strong operational efficiency. The study concluded that private insurance companies like SBI Life Insurance play an important role in increasing competition, improving quality of service, and expanding insurance penetration in India.

Das and Debnath (2012), they studied comparative analysis of public and private insurance companies based on their financial performance after the liberalisation of the insurance industry. The study found that after liberalisation competition increased in the Insurance sector because it resulted in the entry of several private insurance companies. The research found that increasing competition made companies to improve their performance in terms of policy sales, premium collection, claim settlement, and customer services. The findings of this study indicated that private insurance companies give better competition, innovation, and customer-oriented services compared to public insurance companies, while public insurance companies maintained stronger market stability and wider market presence.

Kamat, M., Ramesh, B., and Dhume, P. (2016), evaluated the financial performance of Indian life insurance companies by applying a fixed effect regression model. For this research study 24 life insurance companies for a period of 2009 to 2014 was considered. A comparison of public and private insurance companies was made by applying panel data techniques and fixed effect models to estimate the relationship between profitability and financial indicators. For the study variables like liquidity, solvency, and age of the companies is used to analyse their impact on financial performance. The findings of the study show that public sector insurance companies showed stronger liquidity position than private insurers, private sector insurance companies performed better in terms of solvency and financial stability and profitability of life insurance companies had a significant positive relationship with liquidity, solvency, and age of the companies.

Sankhla and Verma (2026), the study was conducted to assess financial performance of public and private insurance companies in India for a period from 2018 to 2023. Financial ratios used for the study are Return on Net Worth, Solvency Margins, Claim Settlement Ratios, Investment Yields, and Premium Growth

Rates. For data analysis, descriptive statistics and independent t- test was performed. The findings of this study show private insurance companies were better in performance than the public sector insurers in terms of profitability, solvency, and premium growth due to lean organizational structures, innovation, and aggressive market expansion strategies but public insurance companies were better in terms of claim settlement ratios and investment yields, reflecting stronger customer trust and long-term financial stability

Sharma, D. D., and Sarkar, S. C. (2023), studied the financial performance of Indian private insurance companies and made a comparative analysis between the First Two Decades of 21st Century.” To analysis the financial performance CAMEL model, which includes six important indicators: Capital Adequacy, Asset Quality, Reinsurance and Actuarial Issues Management, Soundness, Earnings and Profitability, Liquidity is used. Statistical tools such as Mean, Coefficient of Variation (CV), and Paired Sample t-test were used for analysis. The findings of this research study revealed that the financial performance of most private life insurance companies improved significantly from the first decade to the second decade of the 21st century. The study concluded that liberalization and competition positively influenced operational efficiency, profitability, market expansion, and financial strength of private insurers in India.

Sinha, A. (2013), he studied financial soundness of 2 leading private insurance companies and made a comparative analysis of both which included Bajaj Allianz Life Insurance and ICICI Prudential Life Insurance by using CAMELS framework for assessing financial strength and weaknesses. The findings of this study showed some mixed results for both ICICI Prudential Life Insurance and Bajaj Allianz Life Insurance like certain financial indicators showed strong performance whereas some areas show weak performance that required managerial attention and improvement.

The previous studies on Indian Insurance sectors' financial performance mostly focused on profitability, solvency, liquid and operational efficiency using numerous financial ratios and statistical tools. However very limited attention is given to comparison of shareholders' profitability among selected private insurance companies using Return on Equity (ROE), Earnings Per Share (EPS), One-Way ANOVA, and Tukey Post Hoc Test. Therefore, the present study attempts to fill this research gap by comparatively analysing shareholders' profitability of selected private insurance companies in India.

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3. Research Methodology

The following research study is based on descriptive and comparative research design. This study aims to compare shareholders profitability of selected Private insurance companies in India.

3.1. Sample - To conduct this research study four major private insurance companies are considered based on their market capitalization.

1. HDFC Life Insurance
2. ICICI Prudential Life Insurance
3. SBI Life Insurance
4. Max Financial Services.

3.2. Period of the study - The time period taken for the study is of 10 years ranging from 2016 to 2025.

3.3. Source of data - The data is collected from annual financial statements from the official websites of selected companies.

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3.5. Variables for the study - To the study shareholders profitability the following variables are considered

1. Return on equity (ROE)
2. Earnings per share (EPS)

3.6. Objectives

1. To study the ROE and EPS of selected private insurance companies in India.
2. To compare EPS and ROE of selected private insurance companies
3. To examine if there is any significant difference in EPS and ROE among the insurance companies selected.

3.7. Hypothesis of the study

1. Ho - There is no significant difference in ROE among selected private insurance companies.
2. Ho - There is no significant difference in EPS among selected private insurance companies.

3.8. Statistical tools for the study - The following are the statistical tools used for the study:

1. Descriptive statistics
2. One- way ANOVA
3. Tukey Post Hoc Test

4. Data Analysis and Interpretations

4.1. Descriptive Statistics

ROE model

Firm	Mean	SD	Min	Max
SBI Life Insurance	16.731	2.462	13.77	19.87
HDFC Life Insurance	18.758	7.281	9.60	28.72
ICICI Prudential Life Insurance	16.888	9.378	8.34	33.22
Max Financial Services	10.996	3.858	6.20	16.93
Total	15.842	6.786	6.20	33.33

Interpretations:

The above table shows the descriptive statistics of return on assets of the four insurance companies taken for the study. The results reveal that among all 4 companies HDFC Life Insurance is giving better returns to its shareholders with a mean value of 18.758 while SBI life insurance and ICICI prudential life insurance companies show a mean value of 16.731 and 16.888 indicating they are generating good returns on their equity shareholdings. Whereas, Max Financial Services shows lowest mean ROE of 10.996 which indicates lower profitability performance. SBI life insurance shows very low standard deviation of 2.462 which indicates comparatively stable and consistent ROE performance during the study period.

EPS model

Firm	Mean	SD	Min	Max
SBI Life Insurance	14.694	4.573	8.61	24.08
HDFC Life Insurance	6.190	1.272	4.90	8.41
ICICI Prudential Life Insurance	8.157	2.500	5.28	11.72
Max Financial Services	10.018	2.557	5.38	14.79
Total	9.765	4.282	4.09	24.08

Interpretations:

The above table shows the descriptive statistics of Earnings per share shows that SBI life insurance company records highest EPS among all with a mean value of 14.694 whereas HDFC prudential Life insurance recorded lowest EPS with a mean value of 6.190 and ICICI Prudential Life Insurance company's mean EPS value of 8.157 which indicates moderate earnings performance during the study period but Max

Financial Services showed a mean EPS of 10.018 which indicates comparatively a better earnings performance than HDFC Life Insurance and ICICI Prudential Life Insurance.

4.2. One- Way ANOVA analysis of ROE

Source	Sum of Squares	df	Mean Square	F-value	p-value
Between Groups	338.71203	3	112.90401	2.79	0.0544
Within Groups	1457.1936	36	40.477601		
Total	1795.9057	39	46.048863		

Interpretations:

One way ANOVA test was conducted to understand if there is an existence of any significant difference in return on equity among the selected private insurance companies during the selected study period. The results of the ANOVA for ROE show that F- value is 2.79 and p value is 0.0544 which means the p value is greater than 5% level of significance indicating there is no statistical difference in ROE among the selected Private insurance companies which means though the difference is shown among the companies it is not statistically significant which means the selected Private insurance companies are maintaining relatively similar ROE.

4.3. One- Way ANOVA analysis of EPS

Sources	Sum of Squares	df	Mean Square	F-value	p-value
Between Groups	397.2534	3	132.4178	15.00	0.0000
Within Groups	317.82981	36	8.8286058		
Total	715.08321	39	18.335467		

Interpretations:

One way ANOVA test for EPS was conducted to understand if there is an existence of any significant difference in earnings per share among the selected private insurance companies during the selected study period. The results of the ANOVA for EPS show that F- value is 15.000 and p value is 0.0000 which indicates there is a statistical difference in EPS among all the selected private insurance companies which means there is a difference in profitability efficiency and shareholders earnings in the selected sample of four private insurance companies.

4.4. Tukey Post Hoc Test for EPS

As the results of ANOVA for EPS is significant, the Tukey post hoc test was conducted on EPS to identify between which specific companies the significant difference shown actually exists. This test compares the Mean values of EPS between pairs of companies.

Comparison	Mean Difference	Lower Bound	Upper Bound	Result
HDFC Life Insurance vs SBI Life Insurance	-8.504	-12.08227	-4.925228	Significant
ICICI Prudential Life Insurance vs SBI Life Insurance	-6.537	-10.11577	-2.958228	Significant
Max Life Insurance vs SBI Life Insurance	-4.676	-8.254772	-1.097228	Significant
ICICI Prudential Life Insurance vs HDFC Life Insurance	1.967	-1.611772	5.545772	Insignificant
Max Financial Services vs HDFC Life Insurance	3.828	0.2492279	7.406772	Significant
Total	1.861	-1.717772	5.439772	Insignificant

Interpretation:

As per this test, there is a significant difference between SBI Life Insurance and HDFC Life Insurance; SBI Life Insurance and ICICI Prudential Life Insurance; SBI Life Insurance and Max Financial Services, and between Max Financial Services and HDFC Life Insurance. Whereas, no statistically significant differences were found between: ICICI Prudential Life Insurance and HDFC Life Insurance, and between Max Financial Services and ICICI Prudential Life Insurance.

Overall, the Tukey post hoc test results reveal that SBI Life Insurance company is comparatively superior in EPS performance among the selected private insurance companies during the study period. The results also indicate that certain companies maintained relatively similar EPS levels, while others differed significantly in earnings performance.

5. Findings

1. The one-way ANOVA results show there is no significant difference in ROE among the selected private insurance companies though the mean values ROE showed variations but it is not significant.
2. The One-Way ANOVA result for Earnings Per Share (EPS) is that there is a significant difference in EPS.
3. ANOVA test results indicate that earnings per share differed significantly among the companies, but ROE remained comparatively similar.
4. Based on the Tukey post hoc test, SBI Life Insurance maintained significantly superior EPS performance during the study period.
5. Tukey test results showed that the EPS performance of ICICI Prudential Life Insurance and HDFC Life Insurance was statistically similar.
6. The Tukey post hoc analysis indicated that the EPS values of Max Financial Services and ICICI Prudential Life Insurance did not differ significantly.

6. Conclusion

The study concludes that the selected private insurance companies maintained relatively similar ROE performance but there is a significant difference in EPS performance. The findings of the study regarding shareholders' profitability in the Indian private insurance sector is useful for the investors, financial analysts, researchers, and policymakers in evaluating and comparing the return generated by the major private insurance companies in India and helps them in taking investment decisions and policy making decisions.

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