

# Evaluating The Short-Term Solvency Of ICICI Prudential And ICICI Lombard

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**Citation:** Anuradha, (2023), Evaluating The Short-Term Solvency Of ICICI Prudential And ICICI Lombard, *Educational Administration: Theory and Practice*, 29(4), 2409-2413

Doi: 10.53555/kuey.v28i4.7132

## ARTICLE INFO

## ABSTRACT

This study analyses ICICI Prudential and its metrics along with the same for about five years (2018–2022) which would help us ascertain its short-term solvency. The current ratio - comparing current assets to short-term debt (current liabilities) - is often considered an indicator of a company's generally better-than-average fiscal viability because it reflects the name promise. Our analysis suggests that ICICI Prudential has a solvency ratio that is both higher and more stable than that of its competitors, indicating better short-term financial performance. Results from t-test: This metric was able to differentiate between the current ratios of both companies with a high significance in quantifying financial stability. While ICICI Lombard has lower and more volatile current metrics, the larger liquidity position of ICICI Prudential suggests better short-term financial management. It underscores the urgent necessity of enhanced asset-liability management. The outcome also inferred stakeholders' need to consider the current ratio, as it is a fundamental indicator of financial performance and can predict whether or not an entity has sustainable working capital.

**Keywords:** Current Ratio, Solvency, Financial Health, Investment, Insurance

## I INTRODUCTION

One of the critical financial indicators of a company's canal is whether it can meet its short-term obligations. The current ratio is an essential measure of solvency, computed by dividing all easily liquidated assets - those within one year into cash by liabilities. Higher current ratios represent a company with more stable finances and a greater ability to pay off its short-term debts. The recent phenomenal growth of the insurance market in India could be due to several factors, such as rising incomes and awareness among consumers about how they can insure themselves, as well as laws by the Indian government that are conducive to this sector. The two main market segments are life insurance and general. ICICI Lombard and ICICI Prudential are both significant players in their respective markets. This research focuses on ICICI Prudential and ICICI Lombard, two prominent Indian financial businesses. In 2000, ICICI Prudential Life Insurance Company Limited was formed by the merger of ICICI Bank Limited and Prudential Corporation Holdings Limited. It offers a range of insurance products, including term plans, health plans, savings and investment plans, and retirement plans. To create ICICI Lombard General Insurance Company Limited, ICICI Bank Limited and Fairfax Financial Holdings Limited partnered in 2001. In addition to vehicle insurance, it provides various other general insurance products, such as health, travel, house, and business insurance.

## II LITERATURE REVIEWS

**Sharma and Singh (2011)** Analyse the variables influencing the solvency of the Indian insurance market. Risk exposure, asset-liability management, and capital adequacy influence an insurer's solvency. The authors recommend stringent regulatory scrutiny and effective risk management practices to ensure solvency.

**Desai and Bhatt (2013)** examined the customer satisfaction ratings for public and private Indian insurance companies. Their study finds that private health insurance functions generally receive better consumer-satisfaction ratings because they are market-driven and, as a result, cater to consumer demands with more services/better products. The report recommends that public insurers use similar measures to enhance their competitiveness.

**Reddy and Narayan (2014)** examined how changes in legislation are reshaping India's insurance market. They examine the impact of higher FDI restrictions, introducing a regulatory framework and liberalisation. The report shows that insurers and policyholders benefit from regulatory reforms thanks to competition, innovation, and higher customer service.

**Singh and Jain (2016)** evaluated the risk management practices of such (Indian Insurance Industry) organisations and underlined their importance in stabilising and ensuring solvency in insurance businesses. They also detail risk-reduction strategies, including diversification, reinsurance, and regulatory compliance, essential to managing underwriting and investment risks. Their research found that insurance companies can better weather market swings by establishing sturdy risk management systems.

**Khan and Ali (2015)** conducted an empirical study of investment practices followed by Indian insurance companies. He tapped on balancing risk and return in an expanded investment portfolio. According to the report, insurers required secular security solutions to satisfy long-term liabilities while adhering to regulatory requirements.

**Singh and Jain (2016)** aimed at analyzing the Risk Management Practice of Indian Insurance Companies and its Implications to Insurers Re: Prudently Managing Risks for Stability & Solvency. They also discuss the role of critical risk control devices, especially diversification and reinsurance regulation in insurance underwriting and investment risks. This, they argue, would decrease confining market volatility were insurers to implement stronger risk management.

**Patel and Verma (2018)** analyse the determinants of performance in non-life insurance companies within India. Underwriting performance, investment income and operational efficiency were important variables in their research. The study concludes that It is important for the insurance players to take a balanced perspective towards underwriting and investment to continue enjoying profits earned from their socialist over-investment activities while operating efficiently enough competitive market

**Nair and Rao (2018)** discussed the effects of technological advancements on the insurance sector in India. They chat about how digitisation through the likes of blockchain, AI and big data analytics has altered underwriting - and it is still largely governed by customer policies to that broker who has trusted them for years: claims processing (there may yet be another pandemic in 2021... this time is coronavirus insurance litigation) cheekily claim Paul when asked by Matthew Paskins or even just insured rebuilds following catastrophic events. The study added that companies must use technology "to facilitate the responses necessary for superior end-user quality experience while supporting the transformation of operations."

**Agarwal and Gupta (2019)** study the financial performance of Indian life insurance companies through different financial ratios and indicators. According to the results, several important determinants shape life insurers' financial strength, such as solvency margins, asset quality, and spending control. They suggest that regular evaluations be made of your financial health to ensure it remains in good shape.

**Bhatia and Das (2020)** evaluated Indian life insurance businesses in terms of various financial ratios. This paper has analyzed and identified solvency margins, quality of assets, non-expense control (economic activity) as key parameters for determining the strength hallmark in a life insurance context. They always proposed this for optimal future financial health.

### III OBJECTIVE OF THE STUDY

1. To examine the current ratios of ICICI Prudential and ICICI Lombard.
2. To provide light on the two businesses' respective financial situations.
3. To make recommendations on how to strengthen the two businesses' financial positions.

### HYPOTHESIS OF THE STUDY

**Ho:** There is no significant difference in the mean current ratio between ICICI Lombard and ICICI Prudential.

**H1:** There is a significant difference in the mean current ratio between ICICI Lombard and ICICI Prudential.

### IV RESEARCH METHODOLOGY

## DATA COLLECTION

The analysis dataset is derived from the financial reports of ICICI Prudential and ICICI Lombard for FY19 to 22, which are secondary sources. The procedure measured were the current ratios of both companies in each year.

## STATISTICAL TOOLS

- Mean
- Standard Deviation
- Co-efficient variance
- Independent T-test

## V DATA ANALYSIS & INTERPRETATION

**Table: 1 Current Ratio of ICICI Prudential & ICICI Lombard**

Year	Current Ratio	
	ICICI PRUDENTIAL	ICICI LOMBARD
2018	0.79	0.46
2019	0.91	0.38
2020	1.15	0.32
2021	1.04	0.24
2022	0.93	0.27
<b>Mean(<math>\bar{x}</math>)</b>	<b>0.964</b>	<b>0.334</b>
<b>SD(<math>\sigma</math>)</b>	<b>0.136674797</b>	<b>0.088204308</b>
<b>C.V(%)</b>	<b>14.17788345</b>	<b>26.40847553</b>

(Source: Money Control)

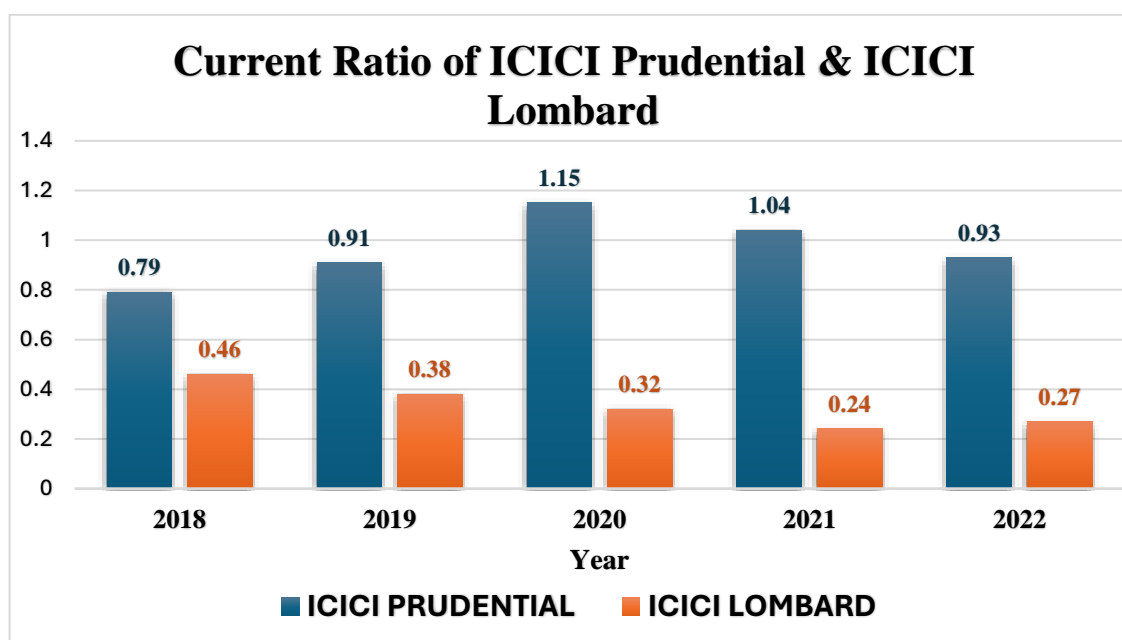


Table 1 and figure indicated the following results:

**ICICI Prudential:** The current ratio decreased progressively over the following years, peaking at 1.15 in 2020 after rising from 0.79 in 2018. It then plummeted to 0.93 in 2022.

**ICICI Lombard:** The current ratio decreased gradually from 0.46 in 2018 to a low of 0.24 in 2021, with a slight increase to 0.27 in 2022. With a larger mean current ratio and a smaller coefficient of variation, CICI

Prudential has a more stable and stronger liquidity position than ICICI Lombard. The increased volatility and reduced total liquidity of ICICI Lombard suggest that consistently fulfilling short-term commitments could be difficult.

**Table: 2 'T' TEST: Comparison of Means between ICICI Prudential & ICICI Lombard**

Two-Sample Variances	T-Test: Assuming Equal	ICICI PRUDENTIAL	ICICI LOMBARD
Mean		0.964	0.334
Variance		0.01868	0.00778
Observations		5	5
Pooled Variance		0.01323	
Hypothesised Mean Difference		0	
Df		8	
t Stat		8.660254038	
P(T<=t) one-tail		1.22842E-05	
t Critical one-tail		1.859548038	
P(T<=t) two-tail		2.45684E-05	
t Critical two-tail		2.306004135	

(Source: Compiled by Author)

#### Key Findings

- **Mean Difference:** ICICI PRUDENTIAL's mean value (0.964) is larger than ICICI LOMBARD's (0.334).
- **T-Statistic:** 8.660254038, the computed t-statistic, is a sizable number in absolute terms.
- **P-value:** The two-tailed p-value is 2.45684E-05, tiny and nearly equal to zero.
- **Degree of Freedom:** There are eight degrees of freedom.

#### Interpretation

The p-value (0.0000245684) is much less than the conventional significance level of 0.05, leading to reject the null hypothesis that there is no difference between the means of the two groups. There is strong evidence that the mean value for ICICI PRUDENTIAL differs considerably from the mean value for ICICI LOMBARD. The data indicates that the mean value of ICICI PRUDENTIAL is much greater than that of ICICI LOMBARD.

### VI SUGGESTIONS OF THE STUDY

**Improvement for ICICI Lombard:** The business or firm should consider ways to improve its quickness, as this is vital for enhancing the ratio of current.

**Regular Monitoring:** It is also essential for the financial stability of both firms that their current ratios are checked regularly.

**Stakeholder Mindfulness :** Investors watch the current ratios of businesses.

**Effective Asset Management** · Effective solutions needed for managing current assets and liabilities within businesses

**Future Research:** Other financial ratios from the two companies' might be chosen to investigate their respective economic condition; In the meantime, existing ratios for each business should be tested on a regular basis. Analyze the financial positions of companies in depth.

## VII CONCLUSION

Summing it up, ICICI Prudential has far more short-term liquidity than Motilal Oswal thereby demonstrating stronger solvency in the near term. The result of the T-test shows a significant difference between means, which indicates that ICICI Lombard should improve its finance management processes. Both the businesses require Asset health tracking and current monitoring with their finances to be in a good state of safe future references.

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