

A Study on Financial Analysis of Lic with Respect to Chitradurga

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Abstract— This research evaluates the financial performance, liquidity, operational viability, and stability of the Life Insurance Corporation (LIC) branch operating in Chitradurga from the financial years 2021–22 through 2025–26. By repurposed analytical frameworks like ratio computation, trend evaluation, and comparative balance sheet examinations, the paper dissects how efficiently the institution handles policyholder capitals, manages operational overheads, and generates long-term value in a rapidly evolving, competitive insurance ecosystem. The empirical assessment highlights robust advancements in net margins, massive shifts in asset backing, and a highly secure short-term liquidity posture, alongside a steadily scaling investment pipeline. The insights collected offer strategic roadmaps for sustained capital safety, diversified portfolio asset management, and modernized cost containment.

Index Terms— Financial Performance, Ratio Analysis, Insurance Sector, LIC Chitradurga, Solvency Margin, Capital Structure, Asset Utilization.

I. INTRODUCTION

The financial services ecosystem serves as the backbone of modern macroeconomics by driving the seamless movement of capital, fostering strategic individual investments, and establishing protective safety nets against systemic financial risk. Within this space, the insurance vertical plays a dual role: it operates as a vital risk-mitigation tool while concurrently channeling public savings into large-scale capital markets. The localized operational dynamics of major market players like the Life

Insurance Corporation (LIC) in regional hubs like Chitradurga are central to this architecture.

Operating in an environment where mass financial awareness is continuously building, institutional insurance providers act as transitional vehicles that convert raw household savings into structural social security. The Chitradurga operational division serves a diverse demographic mix spanning dense urban clusters, semi-urban neighborhoods, and deep rural settlements. This research uncovers the underlying systemic health, service capabilities, product delivery mechanisms, and broader balance-sheet resilience defining the institution's regional footprint.

II. LIFE INSURANCE INDUSTRY PROFILE

The contemporary insurance domain ranks among the fastest-evolving fields within the broader financial services landscape. Its core function relies on collecting long-term capital pools, broadening total financial inclusion, and safeguarding households and corporate entities from unpredictable economic shocks. The macro-industry divides cleanly into two main arenas:

- **Life Insurance Platforms:** Structural configurations centered on long-term wealth protection, family security preservation, and post-maturity survival payoffs.
- **General Insurance Frameworks:** Operational policies structured to safeguard tangible assets, individual health profiles, commercial properties, transit components, and corporate responsibilities.

Managed tightly under the regulatory supervision of the Insurance Regulatory and Development Authority of India (IRDAI), the sector prioritizes complete systemic transparency, consumer advocacy, and ethical corporate practices. Current structural trajectories point toward widespread market integration, driven by the emergence of private-sector alternatives, quick digital transitions, and national targets like achieving comprehensive insurance penetration across all segments by the year 2047.

III. COMPANY PROFILE: LIC CHITRADURGA

Foundational Promoters

The institution traces its origins back to an Act of Parliament passed in 1956, which unified various private entities into a single, cohesive public corporation designed to command absolute public trust and systemic reliability. The Government of India stands as the foundational promoter and sole owner.

Corporate Vision

"To emerge as a transnationally competitive financial conglomerate of significance to societies and the pride of Chitradurga."

Strategic Mission

- Protecting individual lifespans by deploying affordable, high-value life insurance covers.
- Providing reliable, swift, and highly optimized client service ecosystems.
- Cultivating regular savings patterns and long-term financial discipline among the public.
- Designing and launching modern, flexible investment-linked protection models.

Operational Infrastructure & Footprint

The division covers the entire geographic expanse of the Chitradurga district, reaching deep into adjacent rural spaces and regional pockets across Karnataka. To back these operations, the branch uses fully integrated customer service hubs, automated database networks, instant digital payment options, and trained field groups consisting of development officers and advisory agents.

IV. PRODUCT AND SERVICE ARCHITECTURE

The organization manages a broad product catalog tailored to the diverse life stages, risk tolerances, and savings goals of its user base.

Major Insurance Models

- Pure Risk Protection (Term Plans): Affordable baseline safety tools offering maximized cover values.
- Endowment Configurations: Dual-purpose architectures combining regular savings habits with standard life insurance benefits.
- Periodic Payback Programs (Money Back): Financial instruments that distribute cash returns at regular intervals throughout the policy lifecycle.
- Retirement & Pension Infrastructures: Long-tail products designed to secure steady, post-employment income streams.
- Targeted Youth Development Plans (Child Policies): Strategic accounts structured to fund future higher education and career starts.
- Market-Linked Alternatives (ULIPs): Wealth creation products that pair capital market exposure with traditional policy protection.

V. MARKET ENVIRONMENT AND COMPETITIVE MATRIX

While the firm holds a historically dominant position rooted in government backing and an unmatched rural distribution footprint, it operates within an intensely competitive market. Main competitors include major banking-backed firms and private players such as SBI Life, HDFC Life, ICICI Prudential, Max Life, and Bajaj Allianz. These organizations rely on fast technology adoption, digital-first strategies, and aggressive marketing pushes. Nevertheless, the local division sustains its market leadership by leveraging high consumer trust, reliable claim settlement histories, and an extensive network of human capital.

VI. SYSTEMIC SWOT ANALYSIS

Strengths

- High consumer trust backed by state ownership.
- Comprehensive product list serving all economic levels.

- Unmatched reach across rural and semi-urban communities.

Weaknesses

- Slower rollouts of digital tools compared to agile private players.
- Large administrative structures that can delay tactical shifts.
- Heavy reliance on traditional agent networks rather than direct digital channels.

Opportunities

- Growing demand for simple financial safety nets in rural areas.
- Developing modern online account management and sales tools.
- Tailoring retirement and pension options to India's shifting demographics.

Threats

- Rapid changes in the fintech and insurtech landscapes.
- Evolving customer preferences leaning toward instant digital responses.
- Shifting consumer focus toward alternative financial investments like mutual funds.

VII. LITERATURE REVIEW

1. Mishra and Kumar (2011) examined growth patterns across core markets, focusing on total premium metrics and consumer retention. They highlighted that steady growth stems from strong public trust and robust customer confidence.
2. Bawa and Chattha (2013) shifted focus toward corporate capital management and overall margins. Their work proved that optimal allocation of policyholder reserves is a prime driver of institutional profitability.
3. Sharma (2015) analyzed the links between backend operational efficiency, administrative expense metrics, and baseline returns. The paper stressed the need for strict cost containment within operational departments.
4. Patel (2016) evaluated portfolio diversification strategy. The author noted that spreading investments across diverse asset classes protects long-term solvency from volatile capital markets.

5. Gupta and Jain (2017) investigated capital adequacy metrics and statutory safety margins. They confirmed that maintaining solid safety margins is essential for ensuring policyholder protection.
6. Kaur (2018) mapped corporate reputation against overall market share retention. The study showed a clear connection between high public trust and sustained market leadership.
7. Satuluri (2019) used regression modeling to evaluate net profit drivers, highlighting premium volumes and investment yields as the most influential factors.
8. Reddy (2019) focused on claim processing speeds and customer retention. The research showed that clear, transparent claim processing directly improves brand reputation and customer loyalty.
9. Singh and Verma (2020) tracked the operational impacts of digital transformations. They recorded noticeable drops in document processing times and minor cost reductions following digital upgrades.
10. Mehta (2020) evaluated market share dynamics under pressure from private insurance firms, noting that a broad physical presence acts as a strong competitive buffer.
11. Nair and Thomas (2023) evaluated non-operational income returns, showing that investment yields provide a major cushion for bottom-line stability.

VIII. RESEARCH GAP & METHODOLOGICAL FRAMEWORK

Research Gap

Most existing literature isolates single variables like basic profitability or specific solvency metrics. There is a clear lack of comprehensive studies that integrate profitability, liquidity ratios, asset utilization, and long-term solvency trends using recent post-IPO financial data. This study fills that gap by providing an all-in-one analysis of the organization's financial trajectories.

Problem Statement

In an era shaped by digital transformation, strict IRDAI compliance shifts, and aggressive private competition, tracking capital resilience is vital. This study evaluates whether the institution maintains a

stable financial trajectory across its liquidity, profitability, and debt obligations.

Research Objectives

1. To calculate and evaluate corporate profitability metrics via Net Profit, Operating Profit, and Asset Return margins.
2. To check current short-term liquidity safety levels.
3. To determine capital safety parameters using long-term solvency ratios.
4. To evaluate asset utilization efficiency.

Scope & Methodology

This study uses an analytical, descriptive research design based on secondary financial records from published annual statements spanning a five-year period (March 2022 to March 2026). The evaluation applies a suite of financial metrics: Ratio Analysis, Trend Profiling, and Year-over-Year Comparative Balance Sheet reviews.

Core Research Hypotheses

- H_{01} : The corporation's profitability trajectory shows no statistically significant variance or positive improvement over the five-year study period.
- H_{11} : The corporation's profitability trajectory shows a statistically significant variance and positive improvement over the five-year study period.
- H_{02} : Short-term liquidity levels show no meaningful relationship with overall corporate financial health.
- H_{12} : Short-term liquidity levels show a meaningful relationship with overall corporate financial health.

IX. DATA ANALYSIS AND INTERPRETATION

9.1 Profitability & Operational Margin Ratios

This section tracks how effectively incoming sales convert into actual profits.

$$\text{Net Profit Margin} = \left(\frac{\text{Net Profit}}{\text{Net Sales}} \right) \times 100$$

$$\text{Operating Margin} = \left(\frac{\text{Operating Profit}}{\text{Net Sales}} \right) \times 100$$

Table 3: Profitability Metrics Profile

Ratio Type	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22
Net Profit Margin	5.88	5.43	4.83	4.6	.56
Operating Profit Margin	5.02	5.82	3.23	4.66	1.87
Profit Before Tax Margin	5.46	6.31	5.53	5.34	1.66
Overall expenses Ratio	94.57	93.66	94.53	94.64	98.27

Analytical Insights

- **Net Margin Trajectory:** Net Profit Margin rose from a baseline of 0.56% in 2022 to 5.88% in 2026. This continuous expansion justifies rejecting the null hypothesis H_{01} in favor of H_{11} , proving a significant positive trend in profitability.
- **Expense Control Trends:** The comprehensive expense ratio dropped from 98.27% down to 94.57%. This shift shows improved internal cost controls and more efficient resource allocation across core underwriting operations.

9.2 Capital Return Ratios

These metrics track the organization's efficiency in generating returns from its equity bases and asset configurations.

$$\text{ROE} = \left(\frac{\text{Net Profit}}{\text{Shareholder Equity}} \right) \times 100$$

$$\text{ROA} = \left(\frac{\text{Net Profit}}{\text{Total Assets}} \right) \times 100$$

Table 4: Capital Yield and Return Ratios

Return ratios (%)	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22
ROE	32.74	38.16	49.64	79.70	38.84
ROA	0.97	0.86	0.77	0.80	0.10

Analytical Insights

- **Return on Equity (ROE) Dynamics:** ROE spiked at 79.70% in 2023, then normalized to 32.74% by March 2026. This shift reflects structural improvements rather than lower earnings; the core equity tier grew rapidly from ₹10,409 crores to ₹175,356 crores, expanding the denominator.

- **Return on Assets (ROA) Trajectory:** The ROA index rose steadily from 0.10% in 2022 to 0.97% in 2026. This trend proves that management is generating significantly higher earnings from each unit of asset exposure.

9.3. Short-Term Liquidity Assessment

These ratios evaluate the firm's ability to cover its short-term working debts using near-cash assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Cash Ratio} = \frac{\text{Cash \& Equivalents}}{\text{Current Liabilities}}$$

Analytical Insights

- **Current Cushion Expansion:** The current asset cushion rose from a baseline of 2.68 in 2022 to a robust 5.80 by 2026. This upward trend confirms excellent short-term security margins, allowing the firm to comfortably absorb sudden spikes in policy claims.
- **Cash Backing Levels:** The cash ratio reached 1.66 by March 2026, meaning the company holds 1.66 times more ready cash than its entire short-term liability base. These metrics support rejecting the null hypothesis H_{02} .

9.4. Solvency and Capital Adequacy Ratios

This analysis monitors long-term safety, asset composition balance, and dependence on external liabilities.

$$\text{Debt-Equity Ratio} = \frac{\text{Aggregate Liabilities}}{\text{Shareholder Equity}}$$

$$\text{Proprietary Ratio} = \frac{\text{Shareholder Equity}}{\text{Total Assets}}$$

Table 7: Efficiency Ratios

Efficiency Indices	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22
Total Assets Turnover	0.17	0.16	0.16	0.17	0.17
Fixed Assets Turnover	206.14	198.78	207.74	204.56	202.85

Analytical Insights

- **Operational Stability:** Total asset turnover remained stable between 0.16 and 0.17 throughout the period. This stability shows a

reliable, balanced connection between premium growth and asset accumulation.

- **Fixed Asset Performance:** The fixed asset turnover ratio consistently exceeded 190 times, peaking at 206.14 in 2026. This exceptionally high level reflects the digital nature of modern insurance operations, where low physical infrastructure investments still support massive premium volumes.
1. **Reserves Growth:** The massive 58.52% increase in Reserves and Surplus highlights the firm's excellent profit retention policy, significantly boosting its internal capital buffers.
 2. **Current Liabilities Reduction:** Short-term current liabilities fell by 23.31%. This reduction shows that the company cleared outstanding short-term debts, reducing direct operational pressures.
 3. **Liquidity Boost:** Liquid cash balances jumped by 80.46%, adding ₹27,779 crores in ready cash to fortify short-term financial security.

X. EMPIRICAL FINDINGS AND CORE CONCLUSIONS

Key Empirical Findings

- **Steady Revenue and Profit Growth:** Total operating revenues climbed steadily, reaching ₹980,507.71 crores by March 2026. Net profit followed a strong upward path, growing from ₹4,043.12 crores in 2022 to ₹57,418.55 crores in 2026.
- **Enhanced Asset Footprint:** The total asset foundation expanded to ₹5,904,460 crores, driven by a growing non-current investment portfolio that reached ₹5,545,899 crores by the end of the study period.
- **Lower Financial Risk:** The dramatic drop in the debt-to-equity ratio from 405.44 to 32.67 shows a massive reduction in long-term leverage risk, significantly improving structural stability.
- **Efficient Expense Control:** The overall expense ratio fell from 98.27% to 94.57%, proving that management effectively kept operational overhead growth lower than premium revenue growth.

Strategic Recommendations

1. **Portfolio Diversification:** Given that long-term investments make up the largest share of total corporate assets, management should steadily diversify across high-yield fixed income tools and protected equities to maximize returns while balancing market risk.
2. **Digital Optimization:** The branch should continue scaling its digital sales platforms to lower dependency on costly manual agent networks and improve direct customer service metrics.
3. **Liquidity Management:** While high short-term cash reserves provide a strong safety cushion, excessive idle cash can drag down potential yields. Excess liquidity should be swept into short-term money market funds to generate optimized, secure returns.

Concluding Statement

This comprehensive financial performance review confirms that the Life Insurance Corporation of India (LIC) maintains an exceptionally strong, stable, and resilient financial position. Over the five-year study period (2021-22 to 2025-26), the corporation successfully combined rapid premium growth with strict cost management, healthy liquidity levels, and minimal long-term leverage risk. Despite facing intense competition from private-sector insurance firms, the institution retains a dominant market position, providing solid safety nets for policyholders and sustainable value for its stakeholders.

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