

## Financial Performance of the Insurance Industry in India: A Cash Flow-Based Comparative Study During the Year 2016–2025

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### ABSTRACT

This study evaluates the financial performance of the Indian insurance industry using cash flow statement analysis of major insurers over the last decade (2016–2025). Cash flow statements provide deeper insights into liquidity, operational efficiency, and sustainability compared to profit-based metrics. The paper focuses on leading insurers such as ICICI Prudential Life Insurance and HDFC Life Insurance, comparing operating, investing, and financing cash flows. The findings reveal increasing volatility in operating cash flows, consistent negative investing cash flows due to portfolio expansion, and fluctuating financing patterns. The study concludes that while the industry shows strong growth potential, cash flow instability remains a key concern.

**Keywords:** Cash Flow Analysis, Insurance Industry India, Operating Cash Flow, Investing Cash Flow, Financing Cash Flow, Financial Performance, Life Insurance Companies

### INTRODUCTION:

Cash flow analysis is a crucial tool in evaluating the real financial strength of insurance companies. Unlike manufacturing firms, insurers deal heavily with premiums, claims, and investment income, making cash flow dynamics more complex.

This paper analyzes:

Cash flow trends (2016–2025)

Comparative performance of major insurers

Financial sustainability using liquidity indicators

### 2. Importance of Cash Flow Analysis in Insurance

Cash flow statements are divided into:

**Operating Activities** → Premium collection, claim payments

**Investing Activities** → Investment in securities (core business)

**Financing Activities** → Capital raising, dividends

For insurance companies:

Strong operating cash flow = good underwriting performance

Negative investing cash flow = expansion of investment portfolio (normal)

Financing cash flow = reflects capital strategy

### 3. Data and Methodology

Data collected from financial databases (2016–2025)

Companies selected:

ICICI Prudential Life Insurance

HDFC Life Insurance

Analysis based on:

Trend analysis

Comparative ratios

Cash flow pattern interpretation

### 4. Cash Flow Statement Analysis (2016–2025)

#### 4.1 ICICI Prudential Life Insurance – 10-Year Cash Flow Trends

Summary Table (₹ Crore)

Year	Operating CF	Investing CF	Financing CF	Net Cash Flow
2016	Positive	Negative	Positive	Positive
2017	Positive	Negative	Positive	Positive
2018	Volatile	Positive	Moderate	High inflow
2019	Stable	Negative	Stable	Moderate
2020	Strong	Negative	Negative	Moderate
2021	7,319	-5,089	1,204	3,434
2022	1,830	-815	-319	696
2023	87	-1,146	-112	-1,171

2024	-7,305	7,413	-87	20
2025	-9,404	6,866	1,422	-1,115

#### Key Observations:

Operating cash flow turned **negative after 2023**, indicating stress in core operations

Investing cash flow fluctuates but remains largely negative (typical for insurers)

Financing cash flow shows volatility due to capital adjustments

**Evidence:** Operating cash flow dropped sharply from ₹7,319 Cr (2021) to **-₹9,404 Cr (2025)**

#### 4.2 HDFC Life Insurance – Cash Flow Trends

##### Summary Table (₹ Crore)

Year	Operating CF	Investing CF	Financing CF	Net Cash Flow
2021	9,703	-8,946	678	1,435
2022	5,943	-807	-238	4,897
2023	6,883	-10,087	1,985	-1,219
2024	10,721	-13,625	-403	-3,307
2025	15,597	-13,638	1,607	3,566

#### Key Observations:

Strong and **consistently positive operating cash flow**

Increasing investment outflows (portfolio expansion)

Financing flows fluctuate but support growth

**Evidence:** Operating cash flow increased to **₹15,597 Cr in 2025 from ₹9,703 Cr in 2021**

#### 5. Comparative Analysis

##### 5.1 Operating Cash Flow Comparison

HDFC Life → Stable and growing

ICICI Prudential → Highly volatile and negative in recent years

##### Interpretation:

HDFC Life demonstrates **stronger underwriting efficiency and premium collection stability**, whereas ICICI Prudential shows **cash flow stress despite profitability**.

##### 5.2 Investing Cash Flow Comparison

Both companies show **negative investing cash flow**

This indicates:

Expansion in financial assets

Long-term investment strategy

This is **normal for insurance companies**, not a negative signal.

#### 5.3 Financing Cash Flow Comparison

ICICI Prudential → Highly fluctuating

HDFC Life → Moderately stable

#### Suggestions:

ICICI relies more on capital adjustments

HDFC maintains better financial planning

#### 5.4 Net Cash Flow Stability

HDFC Life → More stable trend

ICICI Prudential → Significant volatility

#### 6. Key Findings

##### Operational Efficiency Gap

HDFC Life outperforms ICICI Prudential in operational cash flow

##### Investment-Driven Business Model

Negative investing cash flow confirms expansion and asset allocation

##### Liquidity Concerns

ICICI Prudential shows declining liquidity strength

##### Growth vs Stability Trade-off

ICICI → Growth-oriented but volatile

HDFC → Stable and consistent

#### 7. Implications for Financial Performance

Cash flow analysis reveals realities hidden by profit figures

A company may be profitable but still face liquidity issues

Strong operating cash flow is critical for:

Claim settlement

Policyholder trust

Regulatory compliance

#### 8. Limitations of the Study

Limited availability of full 10-year standardized data for all insurers

Differences in accounting practices

External factors like regulation and market conditions not fully quantified

#### 9. Conclusion

The comparative cash flow analysis of Indian insurance companies highlights significant differences in financial strength and sustainability. While both ICICI Prudential Life Insurance and HDFC Life Insurance have demonstrated growth, their cash flow patterns differ substantially.

HDFC Life shows strong operational stability with consistent positive cash flows, making it financially resilient. In contrast, ICICI Prudential exhibits volatility and declining operating cash flows in recent years, raising concerns about long-term liquidity despite profitability.

Overall, the Indian insurance industry remains on a growth trajectory, but improving cash flow management, especially operational liquidity, is essential for sustaining long-term financial performance

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