A Comparative Study Of Net Cash Flows Between Two Life Insurance Company Limited

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 Abstract

In developing countries, there are many companies opening day by days, but only a few are able to withstand in the highly competitive market. There are many companies who have much cash fund, but less assets wherever many companies those who have much assets but less funds. These both conditions are not good for the companies. The quantity of Liquid cash should be in sufficient form not more than and not less than. So, to keep away from this condition and for getting the idea of proper utilization of cash and working capital, cash flow analysis is applied. With the help of cash flow analysis a company can predict its upcoming profit. In this manuscript, comparisons of net cash flows of one public sector and one private sector life insurance company limited are selected for study.

Keywords: Net cash flows, one public sector LIC Co. Ltd., one private sector LIC Co. Ltd, operating activities, investing activities, financing activities, coefficient of variation.

Introduction

To know about the cash equivalents, inflows and outflows of cash in the companies, an important tool is used. This is known as cash flow statement analysis. This tool is also very helpful to know about the financial information about the company. By the help of this tool user can know about the uses of cash flows in cash outflows and sources of cash in, cash inflows for a particular period from different activities of the company. Cash flow statement (AS-3) has been issued by ICAI in June 1981. As per the guidelines of ICAI, the revised cash flow statements, acts as how to prepare and present the cash flow statement and it is mandatory to prepare for all listed companies with financial statements.

This cash flow statement provides not only inflow and outflow of cash information of a company during a particular period, but also about different activities like: operating,

financing and investing. Attar, Hussein, and S. (2003) proposes that with the help of cash flow statement users can take economic decisions to levy the cash generation ability and impact of these activities on the financial position of the company. Operating activities are the prime revenue generating activities of the company. Generally the result of this activity is known as net profit or loss. Cash flows from operating activities, shows the internal solvency position of the company and it has generated sufficient cash from this activity to maintain the operating capability of the company. Whereas cash used in operating activities, shows the internal insolvency position of the company and it indicates that the company has insufficient cash to maintain its operating capability. Gulin, and Hladika, (2017) proposes that investing activities are the acquirement (purchase) and discarding (sales) of long- term assets. Those transactions are associated with long term assets treats in investing activities. Financing activities are related to long term funds or capital of an enterprise. Financial activities are calculated changes in long term debts and the owner's capital.

Review of Literature

Aghdas Jafari Motlagh, (2013) "As per him in his examination, he learns about how the proclamation of income is arranged and how it is separated from reserves stream explanation. The investigation utilized the optional information gathered from different sites, diaries and so on The found that supports stream proclamation isn't helpful in momentary money related arranging like income articulation on the grounds that the money is more significant for execute the arrangement in the short run when contrasted with working capital. Jeffrey Hales and Steven Orpurt, (2013) "As indicated by them, they examined that, however the numerous fiscal report client has given more significance to coordinate technique, a portion of the budget summary clients has offered significance to aberrant strategy for income explanation. They found that the immediate strategy data is monetarily critical and that the repetitive advantages that numerous organizations get from giving direct technical data probably surpass repeating cost.

Ajay Paliwal, Mukesh Ahirrao and Rana, (2015) "As indicated by him, the term income articulation is a significant apparatus to dissect the money related execution of a firm and the income changes can be distinguished simply by contrasting the budgetary situation of a firm for a very long time. The examination found the net changes in net money in real money and its dispersion in three business exercises and furthermore found the quality and shortcoming in income proclamation. As per Noor, Nour, Musa and Zorqan (2012), Cash flow expresses the inflow and outflow of money in a business. This cycle of inflows and outflows of cash shows about the solvency position of the business. This cash flow statement analysis helps to know about the current position and basis for cash flow management. AL-Attar, (2003) has examined about the current accounting data's ability of UK for maintaining the planning of future cash flows. As per the several previous year study based he followed the direct approach of cash flows data in which he examined about the future cash flow data. As per AL-Khadash, (2005), He examined in his research that which performance approach are better earnings or cash flows? As per the few ongoing years study earnings and cash flows are two competing variables. In his study, he studied about the perspectives of the investors for the investment in the stock market. In his study, he has tested that stock returns are associated

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with earnings and cash flows or not. The conclusion of his study is if the firm's size and earnings growth are low in this situation the measurement of performance of cash flow is considered better than earnings. Income As per the investigation of Ateba Benedict Belobo and Faan Pelser (2014), it has been concluded that negative impacts on the income crisis faced by Mafikeng SMEs are due to the volatilities in climate conditions in worldwide emergence. In this paper weakness faced by SMEs are noticed. As per Abel Obeng Amanfo Ofori (2020), in this examination paper the connection between key outside variables of association and incomes has been analyzed. In the wake of investigating it has been inferred that joblessness rate and Gross Domestic Product (GDP) development rate were found not to have a critical effect on authoritative income, while shopper value list was found to have a huge positive relationship with hierarchical income. As per Bushe(2019), A perfect and efficient cash flow statement reflects the profitability of the organization. A positive cash flow position shows about the sufficient liquidity of the organization and after resulting of this organization can get more growth by profit plowed back into the business. Lamberg, Lubinaitė, Ojala, & Tikkanen, (2019) have explained about the technological advancement loss of cash flow in Nokia. How ecological and other factors are influenced by the cash flow position of the organization. As per Mark, J., & Nwaiwu, J. N. (2015) has expressed their views for impact of political structure on business performance of multinational companies in Nigeria. Political environment differs from region to region. Business performance would be measured by the cash flow position of the companies. Njoroge, Ongeti, Kinuu, and Kasomi, (2016), explained that the external environments of organizations are associated with high level of uncertainties and impacted on cash management of the organization. Ward, J. T., Woodroof, J., and Foster, P. B. (2009), explained that which method is more significant for the reported net income from operations and the result shows that those companies are using direct method have less significance and no clarity as compared to indirect method. So, as per the findings the Financial Accounting Standards Board should not compulsory to direct method, only required companies can use this direct method for preparing cash flow statement.As per Sahay, S.A. (2012), suggested in his studies the importance of economic reporting. With the help of reporting users can get innumerable information. They can also take the credit and investment decisions. This report will also very benefit for the usefulness of different economic ratios and Income statement. Türkössy, A. (2013), express his views about the importance of making a cash flow statement. In this study, he told about the prior and post cash related status of the company of cash flow statement. He also analyzed the past cash flow position keeping with operating, investing and financing activities.

Miloš, P., and Jovan, B. (2013), identifies that an income is a bloodstream of business and without constant income an organization wouldn't be ready to operate. In this paper the origin and importance of cash flow statement has discussed. This cash flow statement should be statutory financial report because it has provided very crucial information to users by operating, investing and financing activities. Dmitrieva, I. M., and Kharakoz, Yu. (2020), discusses the global practice of applying accounting standards for the formation of an income statement. Specifically, the necessities for providing information on cash flows in national accounting systems were studied: generally accepted accounting principles of the United States, international financial reporting standards and Russian standards. As per Muzira, D. R.

(2020), this paper could be a response to the continuing debate within the accounting profession on whether the direct method is better than the indirect method when reporting cash flows from operating activities. This qualitative argument will therefore show the merits of both the direct and also the indirect method before reaching to a conclusion on which method is better than the opposite. Further, it's a contribution to the continued debate within the accounting profession that may guide the quality setters as they deliberate on the likelihood of creating the direct method mandated. Additionally, a contention map and an argument map are used as roadmaps of the ideas being discussed during this study. Gulin, D., and Hladika, M. (2017), have been more and more highlighted the importance of cash flow information. This paper analyzes the advantages of data presented in income statement further because the most significant indicator supported the cash flow statement (free cash flow). For the aim of determination of the usefulness of data presented in the income statement in forecasting future cash flows, the tactic employed in the preparation of the income statement is analyzed.

 Tušek, B., Perčević, H., and Hladika, M. (2014), explained that by publishing of nonfinancial information, along with financial information, the company's transparency is strengthened and users gain a better level of confidence within the business and also the perspectives of such companies. Today, such nonfinancial information is being published coherently in integrated reports together with financial information. The aim of this paper is to analyze whether and to what extent the listed companies on the Zagreb securities market and on the chosen world stock exchanges publish integrated reports. Additionally the target is to analyze which framework is employed for the preparation of nonfinancial statements. Nobanee, H., and J. Abraham. (2014), have focused their research on the goal was to look at the relationship between capital management effectiveness, the size of the business and liquidity. This relationship is evaluated using the Generalized Moment System Estimation Method applied to dynamic panel data for a 1990-2004 sample of 5802 non-financial firms listed in the leading US markets. As a comprehensive measure of efficiency in capital management and liquidity for small businesses, the findings indicate a negative and the important relationship between the net trading cycles. As per Garg, M.C., and Garg, S., judgement. (2020), on the performance of operations and the efficiency of investments of the Indian General Insurance Firms. They found in their study that public insurers square measure higher in utilizing their managerial skills, whereas non-public insurers' square measured effective in selecting the correct scale size. Insurers square measure an improved performer in their investment selections than operational selections as per overall average efficiency of insurers'. Scale inefficiency is found within the general insurers'. Super efficiency scores and ranking of decision making units provide some mixed results once evaluating each the model under study. Sankar, R. (2019), has been identified that entrepreneurial empowerment is significantly related with the business performance of the respondents by .170 coefficients at 5% level of significance. Suggestions such as the development of better health facilities in the study area and improving the quality education free of cost to meet the dependents care which in turn would lead to the rise business performance have been provided.

Research Methodology:

The nature of this research paper is descriptive. A study of the net cash flow statement of both Life Insurance Company Limited has been done for five years based from 2015-2019 in this manuscript. The secondary data have been used in this paper and these data are collected from the website of the related Insurance Company.

Objective:

- To compare the study about the cash flows statement in public sector and private sector Life Insurance Company Limited.

- To know about the financial performance in public sector and private sector Life Insurance Company Limited.

Null Hypothesis (H_0):

- There is no significant difference between the coefficients of variation of net cash flow from operating activity for public sector and private sector Life Insurance Company Limited.

- There is no significant difference between the coefficients of variation of net cash flow from financing activity for public sector and private sector Life Insurance Company Limited.

- There is no significant difference between the coefficients of variation of net cash flow from investing activity for public sector and private sector Life Insurance Company Limited.

- There is no significant difference between the coefficients of variation of net cash flows position for public sector and private sector Life Insurance Company Limited.

Alternate Hypothesis (H_1):

- There is a significant difference between the coefficients of variation of net cash flow from operating activity for public sector and private sector Life Insurance Company Limited.

- There is a significant difference between the coefficients of variation of net cash flow from financing activity for public sector and private sector Life Insurance Company Limited.

- There is a significant difference between the coefficients of variation of net cash flow from investing activity for public sector and private sector Life Insurance Company Limited.

- There is a significant difference between the coefficients of variation of net cash flows position for public sector and private sector Life Insurance Company Limited.

Limitations:

- This study is based on Cash Flow Statement analysis only for public sector and private sector Life Insurance Company Limited.

- The Cash flow statement has been taken only for five years from 2015-2019.

Results:

The mean value, variance, standard deviation and coefficient of variation of net cash flows from operating activity for public sector Life Insurance Company Limited are calculated from table 1 and given below:

Mean value Limited = 8176.48 crore
Variance = ₹ 13742799.73316 crore
Standard deviation = ₹ 3707.128232629 or ₹ 3707.13 crore

Coefficient of variation = 3707.13 *100/8176.48

= 45.34 %

Calculation of the mean value, variance, standard deviation and coefficient of variation of net cash flows from operating activity for private sector Life Insurance Company Limited are calculated from table 1 and given below:

Mean value = = ₹ 6600.37 crore
Variance = ₹ 3249746.98098 crore or ₹ 3249746.98 crore
Standard deviation = ₹ 1802.7054615161 or ₹ 1802.71 crore

Coefficient of variation = 1802.71*100/6600.37

= 27.31 %

The mean value, variance, standard deviation and coefficient of variation of net cash used in investing activities for public sector Life Insurance Company Limited are calculated from table 2 and given below:

Mean value = = ₹ (7775.176) crore or ₹ (7775.18) crore.
Variance = ₹ 18857342.12 crore.
Standard deviation = ₹ 4342.50 crore

Coefficient of variation = 4342.50* 100/ (7775.18)

= 55.85 %

 Calculation of the mean value, variance, standard deviation and coefficient of variation of net cash used in investing activities for private sector Life Insurance Company Limited are calculated from table 2 and given below:

Mean value = ₹ (5455.28) crore

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Variance = ₹ 5862151.09 crore
Standard deviation = ₹ 2421.19 crore

Coefficient of variation = 2421.19*100/ 5455.28

   = 44.38%

The mean value, variance, standard deviation and coefficient of variation of net cash used in financing activities for public sector Life Insurance Company Limited are calculated from the data given in table 3.

Mean value =   ₹ (173.55) crore
Variance = ₹ 2350.51 crore
Standard deviation = ₹ 48.48 crore

Coefficient of variation = 48.48*100/ (173.55)

   = 27.93%

The mean value, variance, standard deviation and coefficient of variation of net cash used in Financing activities for private sector Life Insurance Company Limited are calculated from the data given in table 3.

Mean value = ₹ (229.82) crore
Variance = ₹ 3371.25 crore
Standard deviation = ₹ 58.06 crore

Coefficient of variation = 58.06*100/ (229.82)

   = 25.26 %

Calculations of the mean value, variance, standard deviation and coefficient of variation of net cash flows position for public sector Life Insurance Company Limited have done with the data of table 4

Mean Value = ₹ 227.766 or ₹ 227.77 crore

Variance = ₹ 2033520.97964 crore
Standard deviation = ₹ 1426.0157711751 or ₹ 1426.02 crore

Coefficient of variation = 1426.02 *100/227.77

= 626.08 %

Calculations of Mean value, variance, standard deviation and coefficient of variation of net cash flows position for private sector Life Insurance Company Limited have done with the data given in table 4

Mean value = ₹ 915.28 crore

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Variance = ₹ 839767.55664 crore
Standard deviation = ₹ 916.3883219684 or ₹ 916.39 crore

Coefficient of variation = 916.39 *100/915.28

= 100.12 %

Discussions:

As per table 1, it shows that the coefficient of variation of public sector Life Insurance Company Limited for net cash flows from operating activities is 45.34% from 2015-2019 whenever it is 27.31% of private sector Life Insurance Company Limited. Since the coefficient of variation of net cash flows of operating activity of private sector Life Insurance Company Limited is less than that of public sector Life Insurance Company Limited. So, there is a significant difference between the coefficient of variation of private sector Life Insurance Company Limited and public sector Life Insurance Company Limited. So, net cash flows from operating activities of private sector Life Insurance Company Limited are more consistent when compared to that of public sector Life Insurance Company Limited.

Table 2 represents that the coefficient of variation of public sector Life Insurance Company Limited for net cash used in investing activities is 55.85 % from 2015-2019 whenever it is 44.38% of private sector Life Insurance Company Limited. Since the coefficient of variation of private sector Life Insurance Company Limited is less than that of public sector Life Insurance Company Limited. So, net cash used in investing activities of private sector Life Insurance Company Limited is more consistent when compared to that of public sector Life Insurance Company Limited.

Table 3 shows that the coefficient of variation of public sector Life Insurance Company Limited net cash used in financing activities is 27.93% from 2015-2019 whenever it is 25.26 % of private sector Life Insurance Company Limited. Since the coefficient of variation of private sector Life Insurance Company Limited is less than that of public sector Life Insurance Company Limited. So, net cash used in financing activities of private sector Life Insurance Company Limited is more consistent when compared to that of public sector Life Insurance Company Limited.

As per table 4, it reflects that the coefficient of variation of public sector Life Insurance Company Limited net cash flows position is 626.08 % from 2015-2019 whenever it is 100.12 % of private sector Life Insurance Company Limited. Since the coefficient of variation of private sector Life Insurance Company Limited is less than that of public sector Life Insurance Company Limited. So, net cash flows of private sector Life Insurance Company Limited are more consistent when compared to that of public sector Life Insurance Company Limited.

Conclusion:

With the help of cash flow statement a firm can get the cash position. If the cash inflows of a company are lesser than its outflows, it means lack of cash in the organization. But if cash inflows are greater than its outflows, it means there are plenty of cash into the firm. As per the

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null hypothesis there is no significant difference between the coefficients of variation of net cash flows by operating, investing and financing activity and net cash flows position of private sector and public sector Life Insurance Company Limited, but finding of the study shows that the coefficient of variation of private sector Life Insurance Company Limited by operating, investing, financing activities and net cash flows position are less than that of public sector Life Insurance Company Limited. As per the analysis, cash flows position, including operating, investing and financing activities of private sector LIC LTD is more consistent as compared by public sector LIC LTD. Thus, null hypothesis (H_0) is rejected and alternative hypothesis (H_1) is accepted.

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Table: 1 Net cash flows from operating activities of A Public Sector Life Insurance company Limited and A Private Sector Life Insurance Company Limited.

Period	March,15	March,16	March,17	March,18	March,19
Public Sector Life Insurance Company Limited	2711.4	5777.94	8525.12	10394.97	13472.86
Private Sector Life Insurance company Limited	4461.35	5690.32	6238.89	6740.63	9870.66

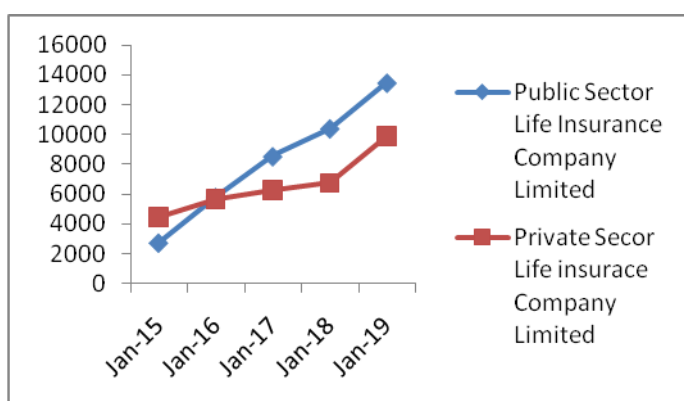**Figure: 1 Net Cash Flows from Operating Activities**

Table: 2 Net Cash Used in Investing Activities of A Public Sector Life Insurance company Limited and A Private Sector Life Insurance Company Limited.

Period	March,15	March,16	March,17	March,18	March,19
Public Sector Life Insurance Company Limited	178.24	7203.73	9031.24	8909.81	13552.86
Private Sector Life Insurance	3516.49	4045.33	5106.26	4422.69	10185.59

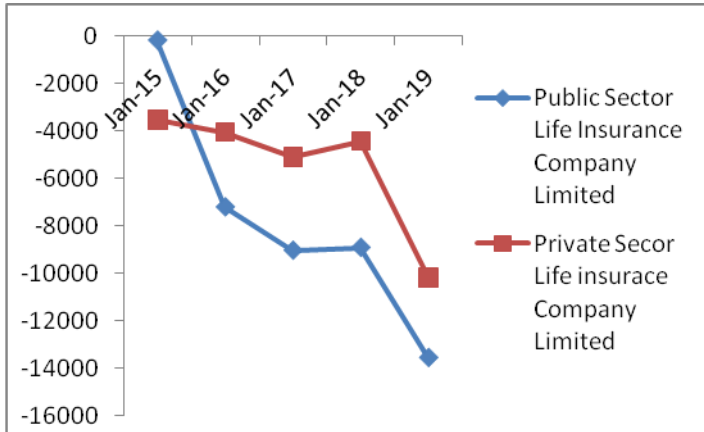|					
company Limited					

Figure: 2 Net Cash Used in Investing Activities

Table: 3 Net Cash Used in Financing activities of A Public Sector Life Insurance company Limited and A Private Sector Life Insurance Company Limited.

Period	March,15	March,16	March,17	March,18	March,19
Public Sector Life Insurance Company Limited	(117)	(143.99)	(144.43)	(221.25)	(241.06)
Private Sector Life Insurance company Limited	(167.56)	(212.43)	(235.59)	(196.35)	(337.17)

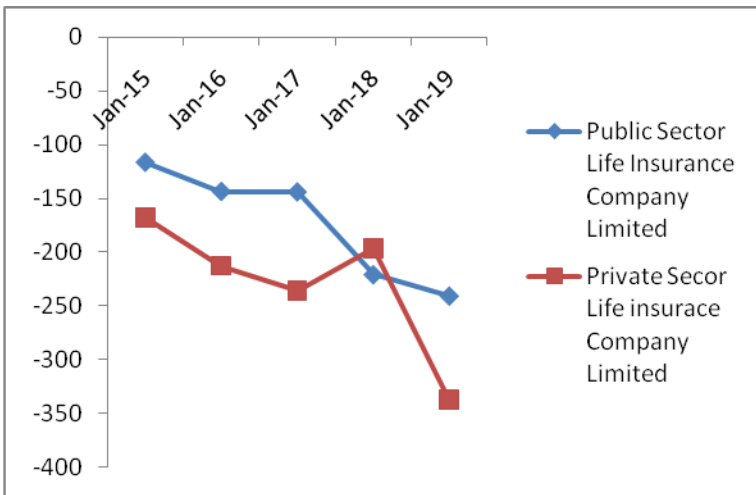**Figure: 3 Net Cash Used in Financing Activities**

Table: 4 Net Cash Flows position of A Public Sector Life Insurance company Limited and A Private Sector Life Insurance Company Limited.

Period	March,15	March,16	March,17	March,18	March,19
Public Sector Life Insurance Company Limited	2416.25	(1569.78)	(651.08)	1264.05	(320.61)
Private Sector Life Insurance company Limited	777.30	1432.56	897.04	2121.60	(652.10)

Figure: 4 Net Cash Flows