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A STUDY ON MERGER AND ACQUISITION IN INSURANCE INDUSTRY IN INDIA

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Abstract

M&A is widely accepted corporate restructuring strategy in present economic scenario. An attempt has been made in this study to examine the effects of M&A in insurance industry in India. The research focus on the M&A activity on insurance industry which merged between 2010 and 2018, which shows comparative analysis of Reliance Nippon Life Insurance Company. Secondary data from the annual reports was collected for 2 year before and 2 year after the merger and acquisition. The study found that M&A has positive effects on profitability of insurance companies in India. There was also positive effect of M&A activity on efficiently capital used to obtain sales but at the same time it found that M&A activity has no positive effect on liquidity position and long-term solvency on selected insurance company. The study concluded that the measures used for analysis that shows overall improvement in the performance of selected insurance company in India after M&A activity.

Key Words: *Merger, Acquisition, Insurance, Service sector, Corporate restructuring*

INTRODUCTION

Insurance Industry in India

Corporate restructuring is the reorganization of corporate entities. The reorganization can be within the company itself or with the involvement of other corporate entities. The phrase Merger & Acquisition (M&A) refers to the respect of corporate strategy, corporate finance and management dealing with buying, selling and combining of different companies that can aid, finance or help a growing company in a given industry grow rapidly, without having to create another business entity.

In business a merger is a combination of two companies into one. Such combinations are commonly voluntary and involve stock swaps or cash payments. Stock swaps is often use as it allows the shareholders of the two companies to share the risk involved in the deal. Merger where an acquiring firm buys the target firm's stock with cash, instead of the more common practice of exchanging it with own stock. Mergers may be broadly classified in (a) Horizontal Merger: - A situation when two or more merging companies manufacture similar product in the same industry. (b) Vertical Merger: - A situation when two or more merging companies work at different stages of manufacture of a same product. (c) Conglomerate Merger: - A situation when two or more merging companies operate in different industries.[1]

An acquisition is a situation whereby one company purchase most of or all of another company's shares in order to take control of Target Company. An acquisition occurs when a buying company obtains more than 50% ownership in a target company. An acquisition can be friendly or hostile. In first case companies cooperate in negotiation, in later case takeover target is unwilling to be bought or the target's board has no prior knowledge of offer. Acquisition usually refers to purchase of a small firm by larger one sometime. However a smaller firm will acquire management control of a large or longer established company and keep its name for the combined entity. This is known as a reverse takeover.[2]

The combination of two firms improve productivity or cut costs so that unlevered cash flow of combined firm exceeds the combines unlevered cash flow of individual firm. Another reason of M & A is information and incentive problems may cause cash-starved firms to pass up positive NPV projects, but cash-rich firms to overinvest in negative NPV projects.

Insurance is considered as risk management tool. It is an agreement in which, the insurance company pays a certain amount to the person/organisation covered by insurance against a fixed amount of premium if the insured in cure any loss covered by the agreement of insurance. Apart from providing security, against future risks and uncertainties, insurance also generate financial resources. The Indian insurance sector has, of late been witnessing a spate of M&A, with many joint venture partners expressing them intend to look for a new partner. M&A activities in insurance began to be noted from 2013.

1 Mergers, Acquisition and Corporate Restructuring (WILLY Corporate F&A) – by Patrick A. Vaughan

2 Acquisition meaning & definition -www.businessdicitonary.com

Insurance industry of India consist 57 insurance companies of which 24 are in Life Insurance business and 33 are non-life insurance. Among the life insurers, Life Insurance Corporate (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national reinsurer, namely, General Insurance Corporation of India (GIC). Other stakeholders in Indian insurance market include agents (individual& corporate), broker's surveyors and third-party administrators servicing health insurance claims.[3]

In F.Y. 2019 (up to October 2018) gross direct premium of non-life insurance reached Rs. 962.05 billion showing a year-on-year growth rate of 12.40%. The market share of private sector companies in the non-life insurance market rose from 13.12% in F.Y. 2003 to 50.06%. In F.Y. 2019 (Up to October 2018) government has approved the ordinance to increase FDI limit in Indian Insurance sector from 26% to 49% which would further help attracts investments in the sector.

In 2017 insurance sector in India saw 10 M&A deals worth US $ 903 million. Increasing life expectancy, favorable savings and greater employment to fuel demand for pension plans. Likewise strong growth in the automotive industry over the next decade would be a key driver for the motor insurance market.

LITERATURE REVIEW

Here an attempt has been made to briefly review the work already undertaken and methodology employed. A brief review of selected studies has been presented as below:-

Beena(2000)[4] analysed the significance of merger and their characteristics. The study establishes that acceleration of the merger movement in the early 1990s was accompanied by the dominance of merger between firms belonging to the same business group of houses with similar product line.

Chitranandi (2001)[5] found that success of merger and acquisition depends on proper integration of employees, organization, culture, IT, products, operations and service of both the companies proper IT integration in merger plays a critical role in determining how effectively merged organizations are able to integrate processes and people and deliver products and services to both internal and external customers of the organization. The study suggests that to address the challenges, chief information officers should be involved from earliest phase.

Reddy(2007)[6] examined the impact of M&A on the operating performance of acquiring corporate in different periods in India, by examining some pre and post-merger financial ratios with chosen sample firms and between 1991-2003 . The result suggests that there are minor variations in terms of impact on operating performance following merger in different intervals of time in India.

Floreani&Rigamonti (2001)[7] reported that target shareholders return is significantly positive and the overall gains for the combined firms are also positive and significant. The study concluded that the result for combined firms are consistent across all sub- samples and do not appear to be driven by a specific factor by using ratio analysis and abnormal returns as a statistical tool of 56 merger deals between 1996-2000 in U.S. and Europe.

Maina & Nadura (2010)[8] concluded that the merger had no positive effects on profitability either it remains same as before the merger or deteriorated in first 4 year after the merger by analysing 6 insurance companies merged between 1995-2005 with the help of tools like ratio analysis. Further this study suggests that another measures can carry out to know the result will remain same or not.

Kashiramka & Murlidharan(2013)[9] analysed and compared the wealth impact of M&A announcement during different period of deal activities in IT and ITeS between year 1999-2009 using tools like SAAR, CSAA and T-test. This study concluded that acquisition is perceived positively by the market as compared to the mergers in Indian IT and ITeS.

Srivastava & Praksh (2014)[10] examined the cross-border M&A have given opportunities to the emerging market multinationals to add value while implementing the strategy of internationalization examined. The study result indicates no statically significant difference in the mean value of all the measures except R&D expenses as percentage of operating expenses for the acquirer Indian firms before and after merger and acquisition event.

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[3] Indian Brand Equity foundation- www.ibef.org

[4] Beena, P. L. (2000). An analysis of mergers in the private corporate sector in India.

[5] Chitranandi, A. K. (2001). Trumps for M & A–Information Technology Management in a merger and acquisition strategy. International Journal of Management Reviews, 9(2), 141-171.

[6] Mantravadi, P., & Reddy, A. V. (2007). Mergers and Operating Performance: Indian Experience. ICFAI Journal of Mergers & Acquisitions, 4(4).

[7] Floreani, A., &Rigamonti, S. (2001). Mergers and shareholders' wealth in the insurance industry.

[8] Dura, K. M. (2010). Effects of mergers on financial performance of insurance companies in Kenya. Unpublished Dissertation, School of Business, University of Nairobi.

[9] Kashiramka, S., & Rao, N. M. (2013). Shareholders wealth effects of mergers & acquisitions in different deal activity periods in India. European Journal of Business and Management, 5(4), 116-129.

[10] Srivastava, R., & Prakash, A. (2014). Value creation through cross-border mergers and acquisitions by the Indian pharmaceutical firms. Journal of Strategy and Management, 7(1), 49-63.

Kumar & Suhas (2010)[11] examined the effects of mergers on the wealth of shareholders of both acquire and target banks involved in banking merger from year 1996-2006 with financial ratios. This study concluded that stock market return increased for both target and bidding bank, negative abnormal return and operating performance also does not improve after mergers.

Ghosh& Dutta (2014)[12] explored the overall strategic impact of M&A in telecom sector with the tools like ratio analysis of 8 BSE listed telecom companies goes for M&A during 2000-2010, The study concluded that changes in overall performance of the 7 firms due to M&A not much significance. They faced difficulties in coping with the adverse macro financial situation and integration the merger firms on the other.

Kumar and Bansal (2008)[13] examined the impact of M&A on corporate performance by analyzing tools like ratio analysis, correlation, tabulation and secondary financial data and concluded that in many cases of M&A acquiring firms were able to generate synergy in long run that may be in the form of higher cash flow, more business, diversification, cost cutting etc.

Kawahara &Tukeda(2007)[14] investigated how merger and acquisition affects corporate performance for three years after their implementation. The corporate performance of 162 M&A that took place in Japan from 2001-2013 is analysed by using wikoran signed rank test. They find that overall effects of M&A on corporate performance are statistically insignificant, compared to the corporate performance of other companies within the same industry with similar pre- acquisition performance.

Reddy et al. (2013)[15] investigated that mergers improve financial performance in long run or not? With the tools like earning management approach and T-TEST. The study concluded that selected Indian M&A cases show the superior performance during the post-merger period for both manufacturing and service observed a balance sheet improvement in long run.

[11] Kumar, B. R., & Suhas, K. M. (2010). An analytical study on value creation in Indian bank mergers. Afro-Asian Journal of Finance and Accounting, 2(2), 107-134.

[12] Ghosh, M. S., & Dutta, S. (2014). Mergers and acquisitions: A strategic tool for restructuring in the Indian telecom sector. Procedia Economics and Finance, 11, 396-409.

[13] Kumar, S., & Bansal, L. K. (2008). The impact of mergers and acquisitions on corporate performance in India. Management Decision, 46(10), 1531-1543.

[14] Kawahara, R., & Takeda, F. (2007). Mergers and Acquisitions and Corporate Performance in Japan. Isai Journal of Mergers & Acquisitions, 4(3).

[15] Srinivasan Reddy, K., Nangana, V. K., & Agrawal, R. (2013). Corporate mergers and financial performance: a new assessment of Indian cases. Nunki Business Review International, 4(2), 107-129.

Lee et al. (2011)[16] examined the variance of 2 brand image and dimensions of brand equity after M&A with sample size of 409 responses collected through random sampling from internet survey in Taiwan with tools like T-test and ANOVA. this study showed that greater perceived difference between acquirer and acquired brands, the more the brand equity of acquirer will increase all the dimensions of brand equity for the brand with a superior image decreases significantly .

Ransariya (2010)[17] measured the impact of M&A on financial growth indicators in Indian corporate sector using 10 companies (top 10 M&A) during year 1996-2002 with tools like averages, index number, standard deviation, T-test and ratio analysis. The study concluded that financial performance and return of shareholders fund not improved after M&A and liquidity position of selected units also becomes poor after M&A.

RESEARCH GAP

Numerous studies conducted on various aspects of M&A like, shareholders wealth and mergers in insurance industry, financial growth indicator of M&A in Indian corporate sector, M&A cause and effects etc., still there is further scope for studying many more issues relating to insurance industry M&A in India. The literature review conducted for the current study makes it clear that very few studies are done on insurance industry in India. Hence it is decided to conduct research on M&A in Indian insurance industry.

SIGNIFICANCE OF STUDY

The study is useful to the following:-

To the insurance Industry:- The study is invaluable to the industry in that it has shown whether the insurance companies in India can improve their financial performance through Merger and Acquisition.

To the Shareholders:-It has provided information to the shareholders on whether their wealth can be increased through M&A and therefore support any M&As proposed by the directors.

To the Employees: - The salaries and other benefits for the employees depend on the financial performance of the companies they work for. The results of this study have therefore been important to the employees since in increase in the financial performance of the merged company will lead to an increase in their salaries and other benefits and vice-verse.

[16] Lee, H. M., Lee, C. C., & Wu, C. C. (2011). Brand image strategy affects brand equity after M&A. European journal of marketing, 45(7/8), 1091-1111.

[17] Rosaria, S. N. (2010). Financial growth indicator of merger and acquisition in Indian corporate sector(Doctoral dissertation, Saurashtra University).

To the Government: -The study is useful policy to the Government in policy making regarding capital base financial strength and other regulating requirement of the insurance companies.

To the Academicians:- It has provided more insight into the relationship between M&A and companies financial performance and will be used as a basis of reference for any future study in the field Mergers, Acquisition and restructuring of companies in the insurance industry.

RESEARCH METHODOLOGY

Objective of Study

The objective of this study is to examine the Merger and Acquisition activity in insurance sector in India.

Sources of Data

The study is based on the secondary data taken from the annual reports of selected units. The data relating to the selected units under the study have been obtained from prospectus, pamphlets, various web-sites and annual reports of the selected units. The data is collected of insurance company before 2 year of merger and after 2 year of merger, income statement, balance sheet, cash flow statement and revenue accounts were used in the collection of the specific data required for the computation of various measures of M&A activity analysis. The data collected for the company covered in the study was net profit, shareholders equity, total assets, total liabilities, net incurred claims, net premium, total liquid assets, total claims reserves and policyholder's surplus.

Population of Study

The population used in this study was all the 57 insurance companies in India that had merged between 2010 to 2018. The reason for choosing insurance companies for the research was because there had been no local research carried on them, yet many studies done internationally.

Selection of Samples

The study has been carried out at micro-level. The population of the study consists all type of insurance companies having different operations of business. As such universe of the study is Indian Industry, here one company selected (which are one M&A in insurance industry during the 2010 to 2018) Reliance Nippon Life Insurance Ltd.

About Reliance Nippon Life Insurance Ltd.

Reliance Nippon Life Insurance Company is amongst the leading private sector life insurance companies in India in terms of individual WRP (weighted received premium) and new business WRP. The company is one of the largest non-banks supported private life insurers with over 10 million policy holders , a strong distribution network approx. 750* branches and over 65,000 advisors as on march 31, 2018. The company holds one of the top claim settlement ratios in the industry which stands at 95.17%as of march 31, 2018.

Rated amongst the top 3 most Trusted Life Insurance Brand Equity's Most Trusted Brand survey 2018, the company's vision is "To be a company people are proud of, trust in and grow with; providing financial independence to every life we touch". With this in mind, Reliance Nippon Life caters to five distinct segments, namely protection, child, retirement, savings & investment and health; for individuals as well as Groups/Corporate entities.

Reliance Nippon Life Insurance Company is a part of Reliance Capital, one of India's leading private sector financial services companies, which ranks among the top private sector financial services and non-banking companies, in terms of net worth. Reliance Capital has interests in asset management and mutual funds, private equity and other activities in financial services.

In F.Y. 2016, post the enabling regulations, Nippon Life increased its stake in Reliance Life from 26% to 49%, subsequent to the receipt of all regulatory approval. Nippon Life Insurance also called Nissay, with 25% market share is Japan's largest private life insurer. The company, with over 29 million policies in Japan offers a wide range of products, including individual and group life and annuity policies through various distribution channels and mainly uses face-to-face sales channel for its traditional insurance products. The company primarily operates in Japan, North America, Europe and Asia and is headquartered in Osaka, Japan. It is ranked 114th in Global Fortune 500 firms in 2016.[18]

Accounting Tools for Analysis

Ratios are among the well-known and most widely used tools of financial analysis. Ratio can be defined as "the indicated quotient of two mathematical expressions". An operational definition of ratio is the representation between one item to another expressed in simple mathematical form. In ratio analysis ratios may be classified into the four categories as follows:

1. Liquidity Ratios

These ratios are used to assess the short-term financial position of the concern. They indicate the firm's ability to meet its obligation out of current resources.

2. Profitability Ratios

The main object of all the business concerns is to earn profit. Profit is the measurement of the efficiency of the business. Profit is the measurement of the business. Equity shareholders

[18] Reliance Nippon Life Insurance Company (RLIC)-www.reliancenipponlife.com

of the company are mainly interested in the profitability of the company.

3. Activity Ratio

These ratios are calculated on the basis on cost of sales or sales. Therefore, these ratios are also called as turnover ratios. In other word these ratios indicate how efficiently the capital is being used to obtain sales, how efficiently the fixed assets are being used to obtain sales and how efficiently the working capital and stock is being used to obtain sales.

4. Solvency Ratios

These ratios are calculated to assess the ability of the firms to meet its long-term liabilities as and when they become due. Long term creditors including debenture holders are primarily interested to know whether the company has ability to pay regularly interest due to them and repay the principal amount when it becomes due. Solvency ratios disclose the firm's ability to meet the interest costs regularly and long- term indebtedness maturity. The following ratios are used for this study:

1. **Current Ratio** = Current Assets ÷ Current Liabilities
2. **Quick Ratio** = Liquid Assets ÷ Liquid Liabilities
3. **Operating Profit Margin Ratio** = EBIT ÷ Net Sales
4. **Net Profit Margin Ratio** = Net Profit ÷ Net Sales × 100
5. **Return on Capital Employed** = PBT ÷ Capital Employed ×100
6. **Return on Net Worth Ratio** = Net Profit After Tax – Preference Share Divided ÷ Net Worth ×100
7. **Debtors Turnover Ratio** = Net Credit Sales ÷ Average Debtors + Bills Receivables
8. **Fixed Assets Turnover Ratio** = Cost of Goods Sold ÷Average Fixed Assets
9. **Debt-Equity Ratio** = Long Term Liabilities + Current Liabilities ÷ Net Worth
10. **Interest Coverage Ratio** = EBIT ÷ Interest

DATA ANALYSIS, RESULTS AND DISCUSSION

Here an attempt is made to present the data analysis and interpretations of findings. Data was summarized using table's percentages and graphs. The research covered one insurance company which were involved M&A between 2010 to 2018.

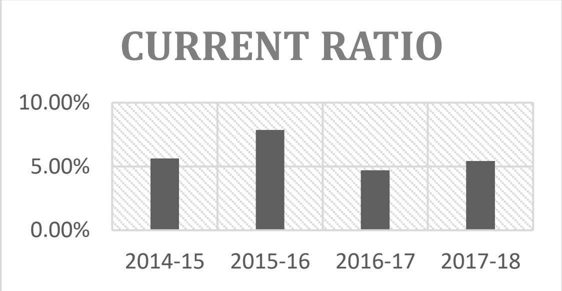
(A)LIQUIDITY ANALYSIS

1.1 TABLE SHOWING CURRENT RATIOS

Years /Ratios	Pre		Post	
	2014-15	2015-16	2016-17	2017-18
Current ratio	5.62%	7.85%	4.69%	5.44%
Quick Ratio	5.62%	7.85%	4.69%	5.44%

a) CURRENT RATIOS

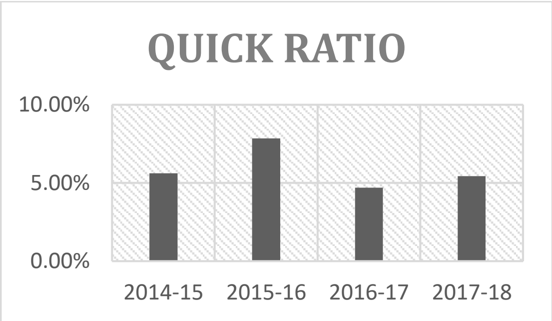
2.1 GRAPHICAL REPRESENTATION OF CURRENT RATIO



The above table 1.1 shows that the current ratio in selected company before and after M&A. The current ratio was highest in year 2015-16 in Reliance Life Insurance Company and lowest current ratio in year 2016-17 after M&A in Reliance Nippon Life Insurance Company and after that in year 2017-18 the ratio increased. So the researcher can conclude that after M&A the liquidity position of sample unit is not improved.

b) QUICK RATIO

2.2 GRAPHICAL REPRESENTATION OF QUICK RATIO



The above table 1.1 shows that the quick ratio in selected company before and after M&A the current ratio was highest in year 2015-16 in Reliance life insurance company and lowest current ratio in year 2016-17 after M&A in Reliance Nippon life insurance company and after that in year 2017-18 the ratio increased. So the researcher can conclude that after M&A the liquidity position of sample unit is not improved.

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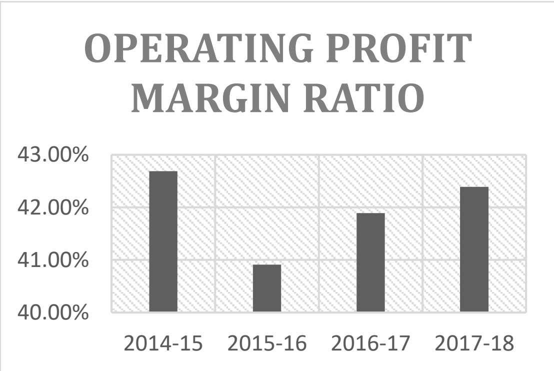
(B)PROFITABILITY RATIOS

1.2 TABLE SHOWING PROFITABILITY RATIOS

Years / ratios	Pre		Post	
	2014-15	2015-16	2016-17	2017-18
Operating Profit Margin Ratio	42.69%	40.91%	41.89%	42.39%
Net Profit Margin Ratio	95.66%	36.54%	49.78%	103.20%
Return on Capital Employed	29.78%	29.24%	31.45%	31.46%
Return on Net Worth	23.49%	22.49%	22.23%	22.40%

a) OPERATING PROFIT MARGIN RATIO

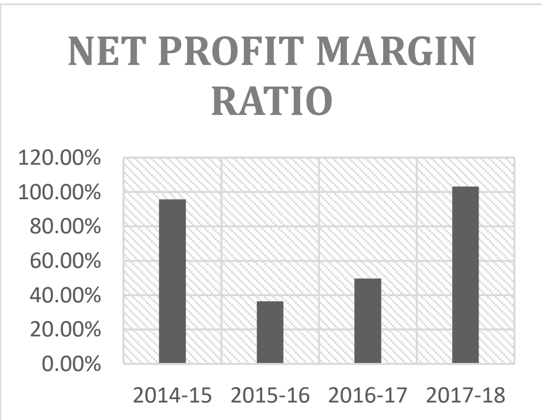
2.3 GRAPHICAL REPRESENTATION OF OPERATING PROFIT MARGIN RATIO



The above table 1.2 shows that the operating profit in selected company before merger was in decreasing trend and after merger it shows increasing trend. In 2015-16 operating profit margin ratio decreased by 1.78% and after merger ratio increased by 0.42%. So researcher can conclude that after M&A the profitability of company is improved.

b) NET PROFIT MARGIN RATIO

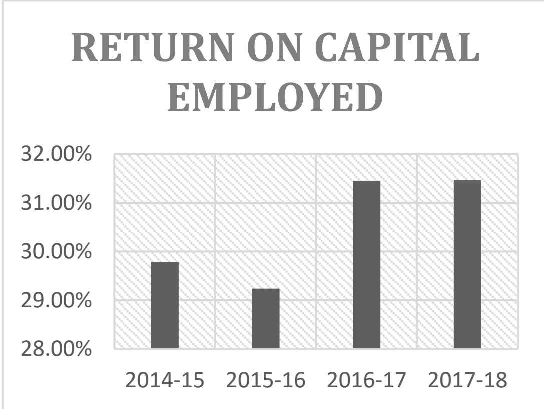
2.4 GRAPHICAL REPRESENTATION OF NET PROFIT RATIO



The above table 1.2 shows that the net profit margin ratio in selected insurance company before merger is decreasing and after merger in year 2016-17 after merger profit was increasing, in 2017-18 profit increased by 53.42%.So researcher can conclude that after M&A the profitability of company is improved.

c) RETURN ON CAPITAL EMPLOYED RATIO

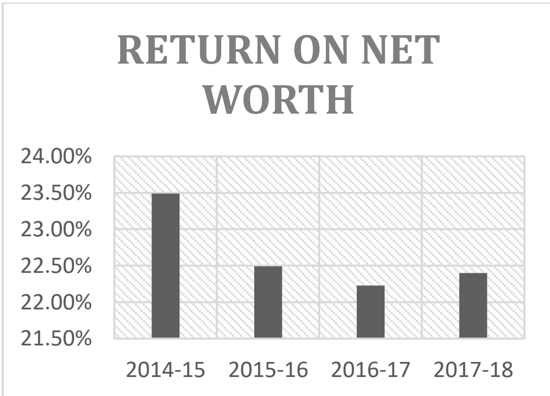
2.5 GRAPHICAL REPRESENTATION OF RETURN ON CAPITAL EMPLOYED



The above table 1.2 shows that the return on capital employed ratio in selected insurance company before merger is increasing and after merger it also increases. After merger in 2016-17 the ratio increased by 2.21% and in year 2017-18 ratio increased by 0.01%. So researcher can conclude that after M&A the profitability of company is improved.

d) RETURN OF NET WORTH RATIO

2.6 GRAPHICAL REPRESENTATION OF RETURN ON NET WORTH



The above table 1.2 shows that the return on net worth ratio in selected insurance company before merger is decreasing in 2015-16 by 1% and after merger it also increased by 0.73%. So researcher can conclude that after M&A the profitability of company is improved.

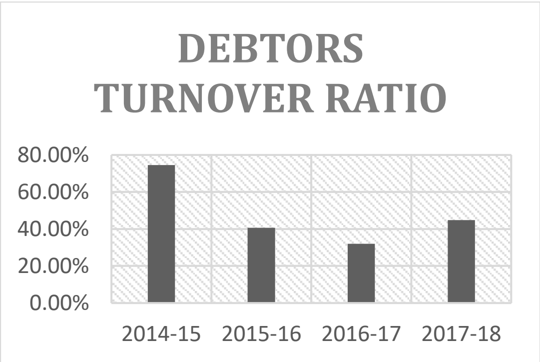
(C)ACTIVITY RATIO

1.3 TABLE SHOWING ACTIVITY RATIOS

Years / Ratios	Pre		Post	
	2014-15	2015-16	2016-17	2017-18
Debtors Turnover Ratio	74.58 %	40.62 %	31.96 %	44.80%
Fixed Assets Turnover Ratio	21.41 %	20.90 %	20.70 %	22.40%

a) DEBTORS TURNOVER RATIO

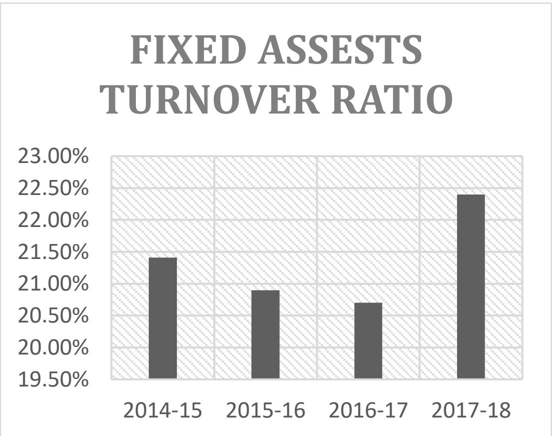
2.7 GRAPHICAL REPRESENTATION OF DEBTORS TURNOVER RATIO



The above table 1.3 shows that the debtor's turnover ratio was decreased before merger and after merger it also decreased in year 2016-17 and after that in year 2017-18 it increases .Ratio decreased by 33.96% in year 2015-16 , after that it also decreases by 8.66% in year 2016-17 after merger and it increases in year 2017-18 by 12.84% after merger . So researcher can conclude that turnover ratio improved after M&A.

b) FIXED ASSETS TURNOVER RATIO

2.8 GRAPHICAL REPRESENTATION OF FIXED ASSETS TURNOVER RATIO



The above table 1.3 shows that fixed assets turnover ratio decreased before merger and shows decreasing in also after merger in year 2016-17. And after that it increases in year 2017-18 by 1.7%. So researcher can conclude that fixed assets turnover ratio improved after M&A.

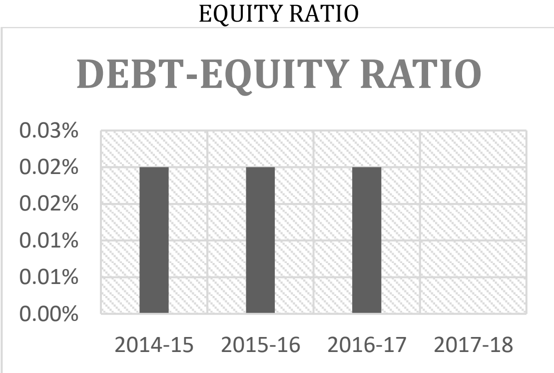
(D)SOLVENCY RATIO

1.4 TABLE SHOWING SOLVENCY RATIOS

Years / Ratios	Pre		Post	
	2014-15	2015-16	2016-17	2017-18
Debt-Equity Ratio	0.02%	0.02%	0.02%	0.00%
Interest Coverage Ratio	1.87%	2.36%	2.18%	2.16%

a) DEBT-EQUITY RATIO

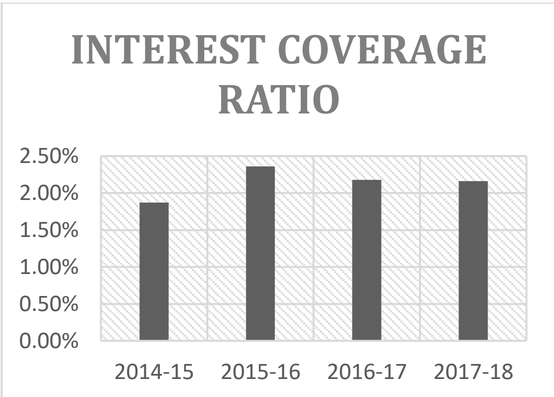
2.9 GRAPHICAL REPRESENTATION OF DEBT EQUITY RATIO



The table 1.4 shows that the debt-equity ratio remains constant during 3 year and after that it decreasing. Decreasing debt-equity ratio is not profitable from the view point of shareholders. So, researchers can conclude that solvency ratio of selected insurance company not improved after M&A.

b) INTEREST COVERAGE RATIO

2.10 GRAPHICAL REPRESENTATION OF INTEREST COVERAGE RATIO



The table 1.4 shows that the interest coverage ratio was increasing after M&A. The interest coverage ratio increased before and after merger decreased. After merger in year 2016-17 ratio increased by 0.45% and in year 2017-18 decreased by 0.02%.So researcher can conclude that solvency of selected company not improved after M&A.

FINDINGS AND CONCLUSION

The study sought to establish the effects of M&A in insurance industry in India for a period of 2 year before and 2 year after M&A between years 2010 to 2018. The analysis of Reliance Nippon Life Insurance Company provides different results. The performance indicator for Reliance Life Insurance Company was improved in 6 ratios and declined on rest 4.

The study concluded that the liquidity ratio of selected company declined after M&A activity .Both current and quick ratio not improved after M&A. SO Company's short-term financial position was not improved after M&A.

The study also concluded that profitability ratios of selected company show increasing trends. All the four ratios-operating profit margin ratio, net profit margin ratio, return on capital employed, return on net worth improved which shows that a business will be able to earn adequate profit in relation to capital invested in it.

The researcher also concluded that activity ratios of selected company were improved. Debtors turnover ratio and fixed turnover ratio improved after M&A, which shows that the capital efficiently used to obtain sales, fixed assets also efficiently used and working capital and stock is used efficiently to obtain sales.

The study also concluded that long term solvency of Reliance Life Insurance Company was declined. Debt equity ratio remains constant for three year and after that it decreases, and interest coverage ratio also shows not improved. So researcher can conclude that the ability to meet its long-term liability as and when they do not improve.

On the performance measures that are unique to the insurance Industry in India and which focus on solvency, liquidity, profitability and leverage, the study concluded that have overall positive effects on performance of insurance companies in India

LIMITATIONS OF STUDY

Every live and non-live factor has its own limitations which restrict the usability of that factor. The same rule applies to this research work. The major limitations to the study are as under:-

1. The study is related with 1 unit only. Any generalization for universal application cannot be applied here.
2. The study is limited to 2 years before and 2 years after M&A.
3. Inflation plays a vital role in Indian Economy. If we do not consider inflation when analysis of financial condition is studied, evaluation may be not truly representative. In this study the effect of inflation is not considered which becomes its limitation.
4. Financial Analysis does not represent those facts which cannot be expressed in terms of money like - efficiency of workers, reputation and prestige of the management.
5. Accounting ratio has its own limitation, which also applied to the study.
6. This study is mainly based on secondary data derived from the annual reports of industry. The reliability and the finding are contingent upon the data published in annual report.

SUGGESTION FOR FURTHER STUDY

Further research should be carried out on the effects of mergers and acquisition in Indian insurance industry for longer period may be in order to go more representative results.

As the study only analysis financial performance of the merged company before and after merger but it can include other factors like size of merged companies, market share, and performance of the economy before and after merger.

Another study can be carried out by using different measures in order to find out if results would be the same or different.

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