

# Return on Assets and Capital Employed: A Financial Performance Study of HDFC Life Insurance

<sup>1</sup>Dr. J. Nithya, <sup>2</sup>Rajamaheswari M, <sup>3</sup>Sandhiya S, <sup>4</sup>Mohammed Farook F

<sup>1</sup>*M.Com., M. Phil., M.B.A., Ph.D., <sup>2,3,4</sup>Commerce (BPS),*

<sup>1</sup>*Professor, Commerce (BPS), Dr. N.G.P Arts and Science College*

<sup>2,3,4</sup>*Dr. N.G.P Arts and Science College*

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**Abstract:** The paper explores that the financial performance in HDFC Life Insurance and specifically Return on Assets (ROA) and Capital Employed between the years 2018 and 2025. The discussion is based on secondary data, which is mainly obtained through annual reports and financial statements, to outline the patterns in the utilisation of assets and resources allocation. The results are relevant to stakeholders, investors, and policymakers because they clarify the growing and efficiency dynamics of the insurance sector in India. Overall, that the discussion highlights that HDFC Life Insurance has been experiencing steady growth in assets, but the profitability of these assets has been declining over the past few years.

**Index-Terms:** financial performance analysis, managerial performance, financial interests, etc.

## I. INTRODUCTION

In the broad sense, performance refers to the accomplishment of a function of a task, the execution of an activity, or the achievement of a goal. Financial performance is a measure of the efficiency with which a firm utilizes its main resources to produce revenue.

The Financial performance study is therefore the systematic study of the operating and financial features of a company based on its financial accounts. The research of main objective is to evaluate the managerial performance in the HDFC Life Insurance based on the records and reports. Insurance is the foundation of national risk management. This ratio shows how much profitable the institution is in comparison to its entire assets holdings and thus gives analysts, managers or investors a tool to assess the effectiveness with which the management of an entity utilizes its assets to make profits. Insurance companies provide various services to companies, protecting

them against risk and ensuring their financial stability. Insurance contributes significantly to the achievement and advancement of the industry by alleviating the negative impact of risk.

## II. SITUATION OF THE PROBLEM

The main aim of financial management is the efficient management and control of resources. Exploring similarities in financial statements helps to have a holistic view of the financial performance of a firm and covers both the present position and the successes. Financial performance analysis is used by the investing public and creditors to assess the past, present, and future performance and to assess financial health. Financial statements are therefore important in determining the profit condition and financial stability of a firm. In this regard, the aim of the current research is to assess the financial presentation of HDFC Life Insurance Ltd.

## III. OBJECTIVES

The objectives of the study are as follows;

- To provide the financial performance during the period (2018 – 2025) the HDFC life insurance with reference to key indicators such as Return on Assets (ROA) and Capital Employed.
- To compare and interpret the relationship between profitability and resources employed, thereby identifying strengths and weaknesses in the company's financial structure.

## IV. ANALYSIS AND INTERPRETATION

### 1.4.1 RETURN ON ASSETS (ROA) RATIO

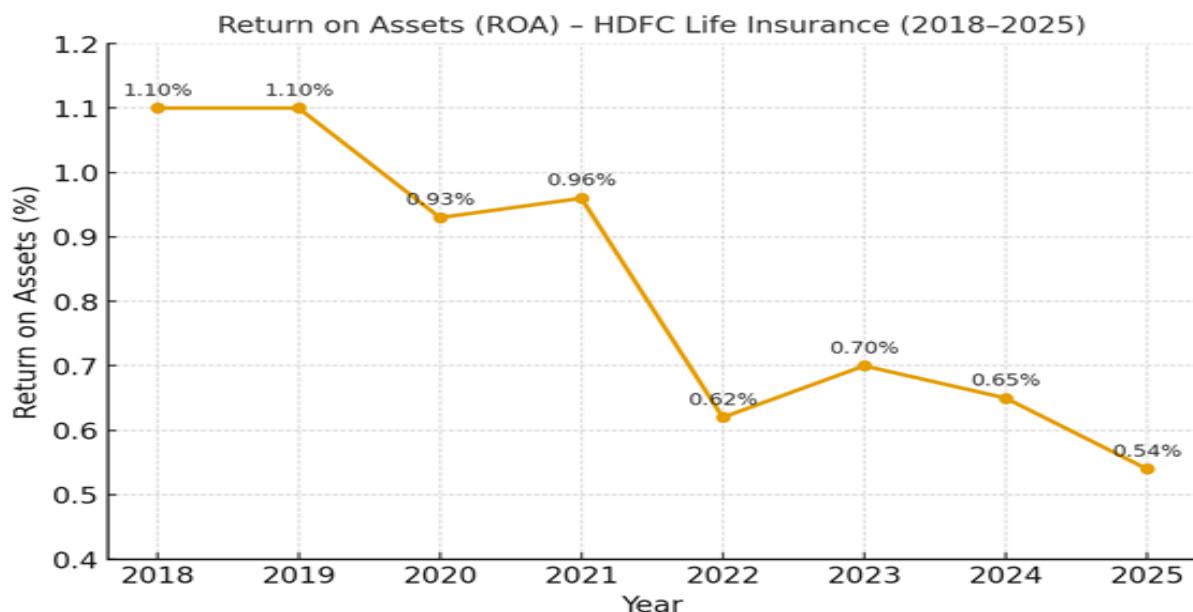
This ratio shows the profitability status a company is in comparison to its total assets holdings and thus gives analysts, managers or investors a tool to assess the effectiveness with which the management of an entity utilizes its assets to make profits.

The Return on Assets (ROA) of HDFC Life Insurance has a variable trend during the time frame of 2018 to 2025. In comparison, in 2020 the ROA decreased to 0.93% which can be explained by the fact that the increase in the level of assets was disproportionately higher than the increase in net income. The following year, 2021, registered a slight recovery to 0.96, which suggests a marginal increase in asset utilization despite the current market difficulties.

Since 2022, the ratio has shown a steep decline, and ROA has dropped to 0.62. This reduction shows that despite the significant growth in the asset base of the company, net income did not grow accordingly.

This trend is reflected in the subsequent years (2023-2025) where ROA is expected to stabilize at 0.70 per cent in 2023, slightly lowering to 0.65 per cent in 2024, and to about 0.54 per cent in 2025.

CHART NO:1.4.1



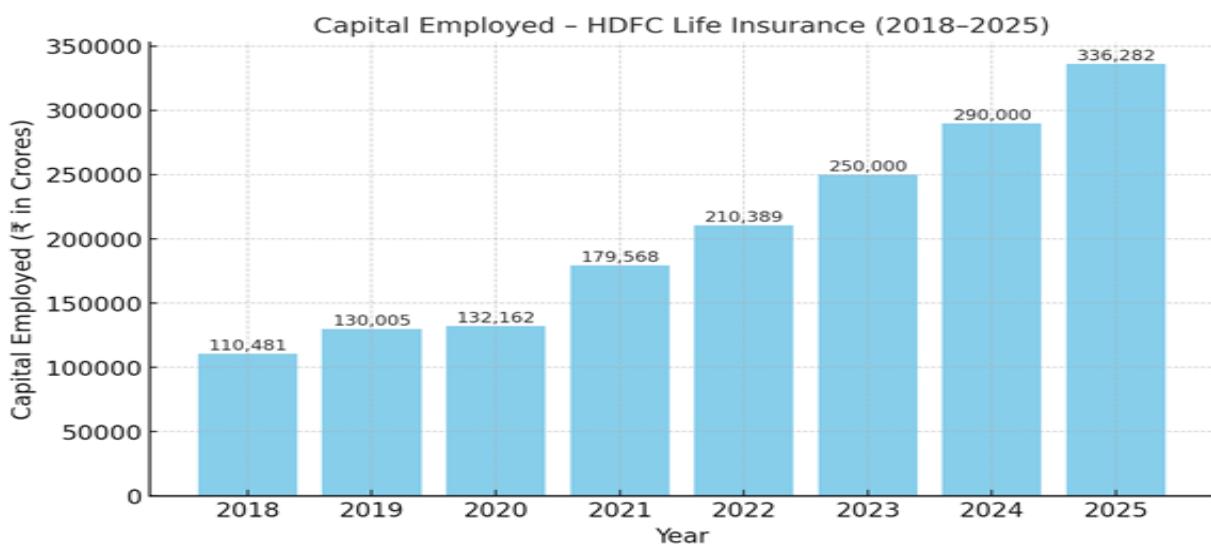
Return on Assets (2018-2025) Interpretation.

On the whole, the discussion highlights that HDFC Life Insurance has been experiencing steady growth in assets, but the profitability of these assets has been declining over the past few years.

#### 1.4.2 RETURN ON CAPITAL EMPLOYED

The ratio of the earnings after taxes to the total assets of a firm is used to calculate the ratio of the return on total assets. The total assets are the equity of the shareholders and the debt of the business. This aggregate is reflected in the balance sheet of the corporation.

CHART NO:1.4.2



Capital Employed (2018-2025) Interpretation.

The capital used by HDFC Life Insurance showed a consistent upward trend over the period of study. The capital employed by the firm in 2018 was about 1,104.81 crore, which increased slightly to 1,300.05 crore in 2019 and 1,321.62 crore in 2020, thus showing a consistent increase in assets. The capital employed raised to 1,795.68 crores in FY 2020-21, Rs 2,108.89 crore in 2021-22. In the last 5 years from 2020-21, the company has seen a stronger increase in its capital base. The company has undergone a strong capital base increase over the last five-year period (2020-21 to 2025); by 2025, capital employed will exceed the mark of 3,360.00, which is almost three times less than the amount of 2018. This massive growth highlights the ability of the organisation to scale its operations, strengthen its asset base, and increase long-term financial stability. Overall, the trend of increasing the capital used indicates that HDFC Life has been able to reinvest its earnings, mobilise resources, and have a strong balance sheet, thus putting it in a good position to grow and create values to its stakeholders in the future.

## V.CONCLUSION

The discussion shows that despite the dramatic increase in capital used over the years, the returns on these resources have not gone up accordingly. The recorded drop in ROA and the high rate of growth in the asset base indicate that more efficiency is required in the utilization of the assets and management of profits. The improvement of operational performance will play a central role in maintaining growth and long-term value creation to shareholders. Therefore, HDFC Life Insurance needs to continue focusing on the enhancement of profitability and operational efficiency to maintain the future growth path and profitability.

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