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Impact of Foreign Direct Investment (FDI) on Financial Performance of Life Insurance Companies

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Abstract

Foreign Direct investmentserves asa focal source of capital formation inanycountries for its economic development in a significant way. Thisisexpected to include all industries and sectors including insurance, especially in developing countriessuch as India. It is beyond doubt that the working performance of FDI as a tool for development is a positive or negative or something else is a million dollars ($) question crossing over the minds of academicians and practitioner's,Particularly the role of FDI in insurance sector is an explorative in nature and there is a scope for significant dynamics and collision of FDI on the performance of life insurance companies. The present paper examines weather the collision of FDI is significant over financial performance of Life Insurance companies or not through a case study of IKM Life Insurance company. A multiple regression has been run to estimate the performance of select insurance company and compared with actual performance to examine the collisionof FDI on Life Insurance sector.

Key words:Financial Performance, FDI, Economic Growth, Life Insurance Company, Premium, Public and Private Sector.

JEL Classification: B23, C58, G22,M41, O16, P34,J65, H21, D61

1. THE PROBLEM

Foreign direct investmentplays a prominent rolein provisos of principal medium of international capital movement.Categoricallyit is considered as one and only foremost instrument of initiating International Economic incorporationin any larger economy than in theworld, itserves as a bridgebetween investment and savings. Countries that are on the verge of progress, such as India, are in the middle of financing the deficit in economic expansion. This problem can be compensated with the help of FDI because it can help reduce base payments and the bayou of balance of payments. The flow of FDI is transitional through many profit-makingindustries, namely, manufacturing, services, real-estate and insurance too.The inclusion of FDI in the

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insurance sector in the Indian insurance industry may affect the amount and value of the assets, the diverse nature of the business andwithout compromising the quality, safety and the cost of insurance for Indian herders can increase in the absence of foreign reinsurance.On the other hand, the so-called insurance activity fluctuates with a high degree of volatility compared to any other business; therefore, FDI helps prudentlydistribute the risk between countries.Hence, it can be said that the opportunity of Indian insurers to address integral reinsurance reinforces the spread of riskand derive competitive advantage on cost and coverage is also possible through FDI. At the end we can assert thatthe flows of FDIcan work like glucose for IndianInsurance sector.

2. REVIEW OF LITERATURE

There are plethora of studies on Insurance sector and FDI separately, but the studies that dwelled the aspects of FDI in connection with Insurance are found very limited, hence, some of the studies, which are very insightful, are revealed and presented in fallowing lines.

Athanassopoulos& Ballantine; citing Lawder (1989 &1995), in their article withthe analysis of ratios to assess the performance of companies' limitation, to the UK grocery industry, a practical assessment of financial ratios is applied to calculate the correlation with two figures in the monetary statements. The study of relativity as a tool for the presentation dimensions allows the industry to remain stable in several aspects, such as liquidity and profitability, which can be observed and erratic change of direction is identified and determined acted upon it.

Mishra Simita& Mishra, K.C. (2000), in the paper on "Insurance industry - the recipe for a learning organization", it provides to facilitation similar to other industry and to conduct insurance business in India, start a single conflict of one hundred years, to facilitate the infrastructure restriction.

Chesnick& David, S. (2000),in its study on "Financial management an analysis of ratios of cooperative institutions", it states that the financial ratios are used to evaluate the differences in financial management with purposes among organization aimed at supporting institutions and companies. It's identified and analyzed four main types of ratios, namely, leverage, liquidity, activity and profitability. The leverage ratio determines the level of assistance of the company's total debt, although the activity index shows the company's focus on the use of resources to generate sales. The liquidity evaluates the facilities to comply with non-performing liabilities with liquid assets.Even these indices provide an excellent indicator of liquidity preference of the asset. They also explained that the activity ratio offers, the fixed investment resources is large, small and vice-versa. It concludes that the profitabilitydetermines the company's achievement of a net return on its shares.

Ashok LaxamanWadikar (2001), in thesis on "Innovation in the insurance industry", in finding on innovation in work performance for each of them independently, itis the rules and regulations of the industryin practical application and economic interpretation of this innovation are two things. In a similar way, innovation is regulated in the insurance industries that will soon come.

Mahal Ajay (2002),in the paper on "Evaluation of Private Health Insurance in India: Potential Impacts and Regulatory Problems", he stated that facilitating access to the qualified health insurance industry in India could contain a collision in health care spending and integrity,while financing the source of attention, quality and profitability inspecial concern.

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However, the study indicates that the user is familiar with the parameter in many cases and elimination of some harmful products.

Dhanda Ramesh Lal (2002), inthesis entitle of "Evaluate the performance of the LIC section of the business in the North Region", emphasizes that the overcast problems that are obtained, when obtaining the ratings of the insurer aresachet with the liquidation risk Outstanding elements, vital in general to determine the performance of division of the LIC business in the northern region.

Rajit, K.S. (2005),has noted in his article that FDI had a direct and indirect impact on the manufacturing sector of the country. The impact of FDI on mechanical, electronics, chemical products and electrical equipment, show that direct collisions. FDI inflows in the pharmaceutical and pharmaceutical industries explain the collision of way with indirect effects. FDI is an important vehicle for the transfer of knowledge and technology to reveal that can include a long-term development result by generating greater production growth through optimistic external factors and indirect productive impacts. Hence, the inflow of FDIresults in higher growth rate, through an integration of new contributions and technologies.

Nirupam Bajpai & Jeffrey, D. (2006), tostudy the issues and difficultyrelatedto India current FDI sways,supplementaryand prominently. The supplementaryconnectedfactors accountable for Indiadistastefulness,while an investment position. In-spite of India contribution a large market with regulation of law, low labor costs and a healthyrunningdemocratic organization, the performance in attracting the attention ofFDI flows contain been missing from satisfactory level. It concludesthat the study iscontrolled FDI regime, egressobstacles for firms, poor quality infrastructure, stringent labor laws,high import tariffs, federalculminationmethod andespeciallypartial scale of export allowanceregion to make India anstriking investment place.

Gupta, J. (2007), in his study to identify the tendency in India attracting and owing to FDI Inflows though liberalization. It also observes that the altered policy implications on sect-oralexpansion and economic enlargement of India as a whole.

Anuradha,S. (2008),have studied the "Life insurance assessment in respect to current perspective", he focus that the requirements of the life insurance policy are obsessed with many economic factors such as insurance rates, government taxes, income, interest rates, inflation and the general economic environment. The growing insurance business in India has been able to create great interest and awareness among people. The insurance territory had created new perspectives for the practice of progress and withdrawal, repetition had been reduced.

Curak, M., Pepur, S. &Poposki, K. (2011), "Firm and economic performance and factors - Croatian compound insurers", they come out withdeterminants of effectiveness are preferred as descriptive variables to cover both the internal problems of insurance companies and external problems related to the economic situation. By linking concern variables using panel data technology, the results show that corporate size, inflation, capital return and underwriting risk have a significant impact on the effectiveness of the insurance company. They came to the conclusion that Croatian insurance market enjoyed a level of expansion, is very dynamic one.

Ujunwa, A. &Modebe, N. (2011), in the article on "Repositioning insurance industry for operational efficiency - the Nigerian case",they believe that well-built and aggressive insurance industry would requireNigeria's economic growth anddevelopment. They pragmatic insurance industries worldwide are practice a daunting assignment of continued profitability in theexpression of unstable assets value and capital constraints. They argued that in Nigeria, there

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are extensivechain of confronts facing by insurance industry. They clarify the most importantchallenge as adverse macroeconomic surroundings, deprived regulatory structure, poor approach towards insurance sector, its services andmarket suspicion of insurance companies.

Babar,S. &Khandare,V. (2012),"Structure of FDI in India during globalization period",the study is focus on changing construction and direction of India FDI through globalization era and analysis of advantages of FDI for economic developmentfrom side by side using spectral analysis of FDI contribution on a strong country rational flow of foreign inflows in India.

Arun,S.K. & Agarwal, P.K. (2012),"Foreign direct investment: the big bang in Indian retail",thepaperhasconsidered the relation of foreign investment and Indian retail business. It is based on importanttheories and related study of organized retail market. It alsostudies the policy impact on expansion for FDI in the two retail segments, namely, single brand and multi brand is highly essential for development. The FDI in multi brand retail be supposed to be considered, for improvedequipment and service. As well assert that the integrity of FDI in India to become andassist India to integrate into international market.

Mihari, D.&Aimiro, T. (2013), "Firm specific factors that determine the performance of the collision of Ethiopian insurance companies",it includes nine insurance companies for the data technology of the panel analyzed and used during the study period from 2005 to 2010. The results of study is the tangible, the size of the loss of the company and the size of the use of important determinants of the performance of insurance companies, even with the increase in gross written premiums, liquidity and seniority include a small statistical strength.

3. OBJECTIVES

1) To study the tendency of FDI inclusion of Indian insurance sector and Life Insurance in common and IKM life Insurance company in meticulous.
2) To assess the impact of FDI on financial performance of IKM life Insurance Company.
3) To examine the differencebetween expected and actual performance of IKM life Insurance Company.

4. HYPOTHESES

Ho_1: There is no significant difference in the tendency of FDI inflows in Life Insurance and IKM Company.

Ho_2: There is no significant impact of FDI on financial performance of IKM life Insurance company.

Ho_3: There is no significant difference between the expected performance and actual performance of IKM life Insurance company.

5. DATA AND METHODOLOGY

This study is an empirical and case analysis examine. It has secondary basis of data to determine the objectives and scrutinize the hypotheses. IKMlife Insurance company (on the request of the company a disguised name IKM is used instead of the original name) is considered as a case quandary of the study. The time span of the study is 10 years period, i.e, 2004-14. To analyze the data with regard to appraisal of financial performance of select company nine categorical specific ratios are employed, they are:

<u>Loss incurred</u>

1) Loss Ratio (LR) = Premium Earned

2) Expense Ratio (ER) = $\frac{\text{Expenses Incurred}}{\text{Premium written}}$

This ratio is used to determine the cost of acquisition.

3) Combined Ratio (or) Trade Ratio (TR) = Loss Ratio + Expense Ratio

4) Kenney Rules:
Net premiums $\leq$3 x Policyholders Surplus
Policyholders surplus $\geq$ ½xTotal Reserves

5) Cover Ratio (COR) = $\frac{\text{Net Premium written}}{\text{Loss Reserves + Policyholders Surplus}}$

6) Actual excepted mortality: Its measures the relationship between tabular mortality and actual mortality and is useful in tasting the adequacy of rates and reserves.

7) Interest realization ratio (IRR) = $\frac{\text{Interest earned}}{\text{Interest projected}}$

8) Lapse Ratio (LR) = $\frac{\text{Polices Lapsed}}{\text{Policies at the beginning + policies made}}$

9) Attrition ratio (AR) = Insurance in vigor at the commencement of the year + Insurance – Insurance written during the year – Insurance in vigor at the ending of year/Insurance written during the year

To measure the performance of life insurance company in the illumination of FDI a Regression model has been developed, which as follows.

Performance = f (FDI in Insurance sector) -- (1)

The functional relationship between the variables and proxies can be expressed as:-

Performance = f (FDI, LR, ER, TR, COR, IRR, LR, AR) ---------------------------------- (1.2)

The model employed includes the following:-

$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + \beta7X7 + \beta8X8 + \varepsilon$

That is, $Y = \beta0 + \beta1FDI + \beta2LR + \beta3ER + \beta4CR + \beta5COR + \beta6IRR + \beta7LaR + \beta8AR + \varepsilon$

Where:

Y = Performance (Net profit)
X1 = Foreign Direct Investment
X2 = Loss Ratio
X3 = Expense Ratio
X4 = Trade Ratio
X5 = Cover Ratio
X6 = Interest realization ratio
X7 = Lapse Ratio
X8 = Attrition ratio
ε = stochastic error term
$\beta1, \beta2, \beta3, \beta4, \beta5, \beta6, \beta7, \beta8$ = Slope of the regression equation

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To examine the authenticity of the hypotheses t-test is employed.

6. ANALYSIS, DISCUSSION AND FINDINGS

6.1. FDI in IndianInsurance sector

Table I presents that the proportion of FDI inflows into insurance sector in general, the life insurance sector and IKM Life Insurance Company in particular over a period of 10 years, that is, from 2004-05 to 2013-2014. It is very clear that the inflows of FDI are not constant, but fluctuate over most years, especially because FDI inflows in 2004-05 were lower in Rs. 69,454.32 crores. Likewise, in 2004-2005 found at Rs1300.14 crores rupees was found. Hence, the proportion of FDI in the insurance sector in 2004-2005 was 1.872 percent, but into the life insurance companies it was increased year after year during the study period. Maximum inflows of Rs 2,01,668.75 crores were recorded in 2011-12, while the insurance sector posted the highest entry in the year 2013-14 with Rs.7,632.54 crores in 4.096 percent of total FDIs.Hence, the total inflows of FDI is very less to Insurance sector in India comparatively the other sectors.

Table I also shows the highest growth occurred in Inflows of FDI ininsurance sector and Life insurance companiesin the year 2008-09 which was 86.55 percent over the total flows to life insurance sector that has been settled at 78.45 per cent finally. It states that the contribution of Inflows of FDI into Life insurance sector was quit high in 2012-13 and 2013-14 over the study period. The proportionateFDI inflows into IKM life insurance company was 5.24 per cent in the year 2004-05, whereas, the lowest flows were at 2.01 per cent in the year 2011-12. It is very clear that in respect of FDI flows, Coefficient of Correlation of FDI inflows into life insurance sector to IKM Life Insurance Company is 0.89, which is highly positive and indicates similar direction between the aggregate and unit (see table I for more details).

Table I

FDI Flows in India, Insurance sector and IKM life insurance company

(Rs in crores)

Year	Total FDI in India	Total Inflow of FDI in Insurance sector	% of FDI inflows in Insurance sector over total FDI	Inflow of FDI in Life insurance sector	% of FDI inflows in Life insurance over total flows in Insurance sector	FDI inflows in IKM life insurance company	% of FDI inflows in IKM life insurance company over the total flows of Life insurance
2004-05	69454.32	1300.14	1.872	1053.93	81.06	55.06	5.24
2005-06	90154.44	1688.87	1.873	1355.35	80.25	63.59	4.69
2006-07	99480.51	2174.28	2.186	1809.75	83.23	85.89	4.74
2007-08	147521.5	3314.89	2.247	2821.63	85.12	124.87	4.42
2008-09	179132.35	5031.12	2.807	4354.50	86.55	132.67	3.05
2009-10	160167.52	5949.32	3.7144	5053.98	84.95	132.68	2.62
2010-11	147532.43	6818.89	4.622	5723.81	83.94	132.68	2.32

2011-12	201668.75	7648.72	3.793	6324.27	82.68	132.68	2.01
2012-13	155505.65	7632.54	4.908	6045.91	79.21	132.68	2.19
2013-14	190210.68	7792.24	4.096	6113.38	78.45	132.68	2.07
Avg.	144082.82	4955.101	3.212	4065.651	82.544	112.55	2.75
Correlation of Coefficient (c.c) among FDI inflows into life insurance sector and IKM life insurance company=0.89							

Source: IKMLife Insurance Company and IRDA 2004 to 2015 Annual Reports.

6.2 Test of Hypotheses I

Ho1: There is no significant difference in the tendency of FDI inflows in Life Insurance and IKM Company.

Result and Decision

Test Applied	Sig. level	D.f	Calculated value	Critical value	Decision
t	5%	9	1.31953	3.250	Accepted

The calculated value of ‘t’ is 1.31953 against the critical value, 3.250. So the hypothesis is accepted that there is nosignificant difference in the tendencyof FDI inflows over life insurance sector and IKM Life Insurance Company.

6.3 Financial Performance of IKM Life Insurance Company

Table II(a)is an attempt to study thePerformance of IKM Life Insurance Companyfrom 2004-05 to 2013-14 through Ratios, namelyLoss, Expense, Trade, Cover, Interest realization and Lapse and Attrition Ratio. It shows thatPerformance of IKM Life Insurance Companyis fluctuated very significantly, it moved from Rs 2391334 in 2013-14 to Rs -2551175 in 2009-10, average was found at Rs-35437.3 over the study period. On the other hand, Loss, Expense, Trade, Cover, Interest realization and Lapse, Attrition Ratios for the study period reported averagely at 0.22341, 0.22169, 0.4451, 8.9633, 1.0, 1.319, and 0.8746 respectively. These ratios gauge the performance of business to felicitate decision making. The significant relationship over the company financial performance indicators and FDI flows reports that Loss ratio continually increased and moved from 0.009 in 2004-05 to 0.641 in 2012-13, but in the year 2013-14 it declined to 0.068. Expense ratio fluctuated as the expense on advertisement for selling policies and collecting premium etc increased, it moved from 0.258 in 2008-09 to 0.190 in 2011-12. Trade ratio is out come of Loss ratio adding with Expense ratio it did swing considerably and moved from 0.250, 0.279, 0.426, 0.407, 0.362, 0.372, 0.544, 0.679, 0.849, and 0.215 respectively over the study period. Cover ratio reports fluctuated in values, it reported highest value, 14.907 in 2009-10 and the lowest value 6.005 in 2006-07. Interest realization ratio reported constant trend over the study period. Lapse ratio and FDI flows of the company has a notable impact by its move from 1.9 in 2010-11 to 0.513 and 0.927 in 2009-10 and 2013-14 respectively. Attrition ratio reported a move from 1.906 in 2010-11 to 0.48 in 2012-13. As such ratios are very useful in evaluation of insurance company’s performance; they are examined to draw the inferences as shown in table II (a) and II (b).

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Table II(a)
Performance Indicators of IKM

Year	Net profit (Rs Thousands)	Loss Ratio	Expense Ratio	Trade Ratio	Cover Ratio	Interest realization Ratio	Lapse Ratio	Attrition Ratio
2004-05	-186921	0.0097	0.2404	0.2501	8.578	1.0	1.24	0.94
2005-06	-444221	0.0675	0.212	0.2795	7.955	1.0	1.64	0.85
2006-07	-1104679	0.1782	0.2477	0.4259	6.005	1.0	1.81	0.81
2007-08	-718745	0.1553	0.2515	0.4068	7.687	1.0	1.41	0.602
2008-09	-143401	0.1037	0.258	0.3617	10.599	1.0	1.25	0.75
2009-10	-2551175	0.1732	0.1992	0.3724	14.907	1.0	0.513	0.76
2010-11	-1526430	0.3482	0.1956	0.5438	9.147	1.0	1.9	1.906
2011-12	2032482	0.4885	0.1901	0.6786	10.345	1.0	1.29	0.84
2012-13	1897383	0.6416	0.2072	0.8488	7.722	1.0	1.21	0.48
2013-14	2391334	0.0682	0.2152	0.2834	6.688	1.0	0.927	0.808
Avg.	-354373	0.22341	0.22169	0.4451	8.9633	1.0	1.319	0.8746

Source: IRDA and IKM life insurance company 2004, to 2014 Annual Reports.
Note: There is no change in Interest earned and Interest projected (IRR) values, not taken in to consideration for calculation of correlation below table.

With the help of above ratios and FDI flows of insurance specific in table II (b) an attempt is made to test the impact of FDI on performance indicators of IKM Company. The Pearson Correlation was computed between Performance indicators and FDI flows, the correlation of coefficient is found at 0.204 at the 0.572 (2-tailed) significant levels. From the table it is evident thatthere is a negative correlation between Performance,Expense Ratio, Cover Ratio andAttrition Ratio as the correlation of coefficient are -0.171, -0.425, -0.125, -0.347 respectively.

Table II(b)
Correlation matrix of the Performance indicators

		Performance	FDI	Loss Ratio	Expense Ratio	Trade Ratio	Cover Ratio	Lapse Ratio	Attrition Ratio
Performance	Pearson Correlation	1.00	.204	.370	-.171	.372	-.425	-.125	-.347
	Sig. (2-tailed)		.572	.291	.633	.289	.221	.730	.326
	N	10	10	10	10	10	10	10	10
FDI	Pearson Correlation	.204	1.00	.514	-.310	.507	.342	-.340	.020
	Sig. (2-tailed)	.572		.128	.383	.134	.332	.336	.965
	N	10	10	10	10	10	10	10	10
Loss Ratio	Pearson Correlation	.370	.514	1.00	-.548	.994	.040	.088	.004
	Sig. (2-tailed)	.291	.128		.101	.000	.912	.807	.990
	N	10	10	10	10	10	10	10	10
Expense Ratio	Pearson Correlation	-.171	-.310	-.548	1.00	-.453	-.349	.175	-.341
	Sig. (2-tailed)	.633	.383	.101		.189	.322	.628	.335
	N	10	10	10	10	10	10	10	10

Trade Ratio	Pearson Correlation	.372	.507	.994	-.452	1.00	-.003	.118	-.05
	Sig. (2-tailed)	.289	.134	.000	.189		.993	.746	.892
	N	10	10	10	10	10	10	10	10
Cover Ratio	Pearson Correlation	-.425	.342	.040	-.349	.003	1.00	-.604	.05
	Sig. (2-tailed)	.221	.332	.912	.322	.993		.065	.892
	N	10	10	10	10	10	10	10	10
Lapse Ratio	Pearson Correlation	-.125	-.340	.088	.175	.117	-.603	1.00	.492
	Sig. (2-tailed)	.730	.336	.807	.628	.746	.065		.149
	N	10	10	10	10	10	10	10	10
Attrition Ratio	Pearson Correlation	-.347	.020	.00	-.341	-.05	.05	.492	1.00
	Sig. (2-tailed)	.326	.965	.990	.335	.892	.892	.149	
	N	10	10	10	10	10	10	10	10

6.4 Test of Hypotheses II

Ho2: There is no significant impact of FDI on financial performance of IKM life Insurance company.

Result and Decision

r (C.C)	Test Applied	Sig. level	D.f	Calculated value	Critical value	Decision
0.204149	t	5%	8	0.5902	0.703	Accepted

The calculated value of 't' between FDI inflows into Insurance sector and Life insurance companies is 0.5902 against the critical value, 0.703. Therefore, the hypothesis is accepted that the impact of the entry of FDI inflow on financial performance of IKM life Insurance is not significant.

6.5. A Regression Test of Financial Performance of IKM Life Insurance Company

Whether the performance of IKM Life Insurance Company is up to the mark as expected based on its risk factors or not is examined by comparing actual performance with the performance assumed by using the results of the coefficients from Table II(c). Hence, the link between Performance and FDI can then be described as

Performance = $\beta 0$ + 0.12FDI -1.25LR - 0.45ER + 1.36TR - 0.87CR + 0.0 IRR- 0.52LaR - 0.14AR

Table II(c)

Coefficients (Performance)

	Unstandardized Coefficients		**Standardized Coefficients**			**95% Confidence Interval for B**	
	B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound
(Constant)	1090.26	1152.15	.00	.67	.572	-3867.06	6047.57
FDI	.63	3.32	.12	.14	.914	-13.64	14.90
Loss Ratio	-1004.78		-1.25				
Expense Ratio	-2904.73		-.45				
Trade Ratio	1200.86		1.36				
Cover Ratio	-56.45	40.01	-.87	-1.0	.501	-228.59	115.70

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Interest realization Ratio	.00	.00	.00				
Lapse Ratio	-207.39	387.06	-.52	-.38	.769	-1872.77	1457.99
Attrition ratio	-59.25	342.63	-.14	-.12	.923	-1533.49	1414.99

There's a linear relationship between Performance and FDI
Y= a +bX
Where,
Y= Performance
a=gradient
b = intercept
X= FDI
-3.544 = -8.247 + bX
-3.544 + 8.247 = b (112.55)
b = 0.0418
Putting the values in line of
Y= a + bX
a= -8.247, b= 0.0418, X= FDI of the year

This implies that if all other factors remain constant an increase or decrease in FDI causes an increase or decrease in performance. By applying the values in line of relationship, we get Predicted Performance as shown in column 3 of Table II(d). Further there difference between actual and expected performance is shown through table II(d).

Table II(d)

Actual and Predicted performance of IKM Life Insurance Company

Year	Actual Performance	Predicted Performance	Differential level	
			+	-
2004-05	-186921	-59455		127466
2005-06	-444221	-55889		388332
2006-07	-1104679	-46568		1058111
2007-08	-718745	-30274		688471
2008-09	-143401	-27014		116387
2009-10	-2551175	-27010		2524165
2010-11	-1526430	-27010		1499420
2011-12	2032482	-27010	2086502	
2012-13	1897383	-27010	1951403	
2013-14	2391334	-27010	2445354	

6.6 Test of Hypotheses III

Ho3: There is no significant difference between the expected performance and actual performance of IKM life Insurance company.

Result and Decision

	N	Mean	Std. Deviation	S.E. Mean
Actual Performance	**10**	**1793796.80**	**6675561.81**	**211098.00**
Predicted Performance	**10**	**-35425.00**	**1321.98**	**4178.94**

Test Applied	Sig. level	D.f	Calculated value	Critical value	Decision
t	5%	9	0.499	0.703	Accepted

The calculated value of 't' between Actual PerformanceandPredicted PerformanceofIKM companyis 0.499 against the critical value, 0.703. Therefore, the hypothesis is accepted there is no significant difference among the expected performance and actual performance of IKM life Insurance company, over the study period.

7. CONCLUSION AND SUGGESTIONS

The FDI inflows in IKM insurance company was verynegligible right from 2004-05 till 2007-08 andconstant from 2008-09 to 2013-14.Theproportion of FDI inflows into IKM insurance company over the total FDI flows into insurance sector and in turn Life insurance sector was 81.06 per cent in 2004-05, which was enthused up by 86.55 per cent in 2008-09. On the other hand, the percentage of FDI in IKM life insurance company over total FDI in life insurance sector was 5.24 per cent in 2004-05 that had decreased to 2.01 per cent in 2011-12 then after moved up and rallied itself at the same pace. Hence, the overall trend of FDI in IKMLife insurance company is substantial over the study period. Not only that the tendency of FDI flows into the Insurance sector, life insurance segment and IKM company independently seems like vectors movement.

On the other hand, performanceindicators revels that the impact of FDI is not significant but certain ratios are highly influencing the business performance of the company in the light of FDI, namely, lapse and trade ratios. It is found that the overall impact of FDI on financial performance is not impressive due to conservative approach and risk adverse nature of the company. At the end it can be asserted that the performance of IKM Life Insurance Company was influenced by FDI when other factors remain constant. Besides, it is also found that an increase or decrease in FDI caused an increase or decrease at a considerable level in performance of IKM.

Another interesting issue is that the difference between the estimated and actual performance is very insufficient as the performance is up to the target based on its capital base and other indicators. So it is suggested that the company has to take care in utilizing the FDI flows as a focal source tomaking the operations and offers to the customers at par with the global companies to reach the paramount.

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