RISK MANAGEMENT AT ICICI PRUDENTIAL LIFE INSURANCE

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ABSTRACT

Risk Management' is an integrated process that identifies, classifies, analyses & quantifies the financial impact of various risks involved in running a business. It is a tool that recognizes the potential threats to the business's objectives and allows management to make informed decisions on the appropriate course of action, be it to mitigate, transfer or allocate capital to the risk.

Risk management is a fundamental business practice and, for it to be truly effective, a company must ensure that risk management is embedded within its culture.

Risk management is not a new concept in life insurance and many of the basic principles are as old as the insurance industry itself. The majority of companies already have some form of risk management process in place. However, over recent years, there has been significant progress in developing and formalizing these processes and even in using them for regulatory purposes.

Risk management in project management field is often considered as a separate planning and response function. Its principle thrust is to minimize cost and schedule effects due to risky factors. This paper advocates a project management approach, which is based on business strategy. As a key element to this philosophy this paper aims at bringing out the concept of utilizing a life cycle project management approach for risk management.

KEY WORDS: Fundamental analysis, investments decisions ,Profitability
Non-performing assests

INTRODUCTION

Risk management or investment helps investors ineffective and efficient of their investment to achieve this goal. The rapid growth of capital markets in India has opened up new investment avenues for investors.

The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently manage investments in order to keep maximum returns with minimum risk.

Hence this study on RISK MANAGEMENT' to examine the role process and merits of effective investment management and decision

This study covers the Markowitz model. The study covers the calculation of correlations

Between the different securities in order to find out at what percentage funds should be invested among the companies in the portfolio. Also the study includes the calculation of individual Standard Deviation of securities and ends at the calculation of weights of individual securities involved in the portfolio.

By implementing a risk management plan and considering the various potential risks or events before they occur, an organization can save money and protect their future. This is because a robust risk management plan will help a company establish procedures to avoid potential threats, minimize their impact should they occur and cope with the results. This ability to understand and control risk enables organizations to be more confident in their business decisions. Furthermore, strong corporate governance principles that focus specifically on risk management can help a company reach their goals.

Every business and organization faces the risk of unexpected, harmful events that can cost the company money or cause it to permanently close. Risk management allows organizations to attempt to prepare for the unexpected by minimizing risks and extra costs before they happen.

The importance of combining risk management with patient safety has also been revealed. In most hospitals and organizations, the risk management and patient safety departments are separated; they incorporate different leadership, goals and scope. However, some hospitals are recognizing that the ability to provide safe, high-quality patient care is necessary to the protection of financial assets and, as a result, should be incorporated with risk management.

REVIEW OF LITERATURE

KOTRESHWAR(2016) Risk management is the fundamental element that drives financial behavior. without risk, the financial system would be vastly simplified. however, risk is omnipresent in the real world. financial institutions, therefore, should manage the risk efficiently to survive in this highly uncertain world. the future of banking will undoubtedly rest on risk management dynamics. only those banks that have efficient risk management system will survive in the market in the long run. the effective management of credit risk is a critical component of comprehensive risk management essential for long-term success of a banking institution.

ALAN J.CARD (2013) In recent years, the healthcare sector has adopted the use of operational risk assessment tools to help understand the systems issues that lead to patient safety incidents. but although these problems-focused tools have improved the ability of healthcare organizations to identify hazards, they have not translated into measurable improvements in patient safety. one possible reason for this is a lack of support for the solution-focused process of risk control.

Bolem (2001) suggested that a more or less predictable level of fixed assets management, though it may vary slightly from year to year, is caused by an inevitable number of 'wrong economic decisions by individuals and plain bad luck (inclement weather, unexpected price changes for certain products, etc.). Under such circumstances, the holders of loans can make an allowance for a normal share of non-performance in the form of bad loan provisions, or they may spread the risk by taking out insurance. Enterprises may well be able to pass a large portion of these costs to customers in the form of higher prices. For instance, the interest margin applied by financial institutions will include a premium for the risk of nonperformance on granted loans.

OBJECTIVES OF THE STUDY

- To study the investment decision process.
- To analysis the risk return characteristics of sample scripts.
- To Ascertain Risk Management.
- To construct an effective portfolio which offers the maximum return for minimum risk

SCOPE OF STUDY

- The study covers the calculation of correlations between the different securities in order to find out at what percentage funds should be invested among the companies in the portfolio. Also the study includes the calculation of individual Standard Deviation of securities and ends at the calculation of weights of individual securities involved in the portfolio. These percentages help in allocating the funds available for investment based on risky portfolios.
- The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently manage investments in order to keep

maximum returns with minimum risk.

- Hence this study on RISK MANAGEMENT' to examine the role process and merits of effective investment management and decision.

RESEARCH METHODLOGY:

Research methodology simply refers to the practical "how" of any given piece of research. More specifically, it's about **how** a researcher **systematically designs a study** to ensure valid and reliable results that address the research aims and objectives.

PRIMARY SOURCE:

1. Information gathered from interacting with employees in the organization.

SECONDARY SOURCE:

1. Daily prices of scripts from news papers
2. Sources of data are taken from respective companies websites.

SAMPLE DESIGN

The present study is descriptive and analytical in nature. The sample consists of pharmaceutical companies.

1. Ranbaxy
2. Cipla
3. Wipro

STATISTICAL TOOLS:

The data which is collected has been analysed using Microsoft Excel by applying various statistical tools. The following techniques are used:

1. Mean

2. Standard deviation
3. One way of analysis of variance (ANOVA)

DATA ANALAYSIS AND INTERPRETATIONS

This section of study helps in the calculation and analysis of selected variables taken into consideration for study purpose. The ratios are being calculated with help of raw data available on concerned websites. The raw data consists of yearly results and balance sheet of sample companies.

TABLE 1.CALCULATION OF STANDARD DEVIATION OF WIPRO

Year	Return (R)	$\overline{R}$	$R-\overline{R}$	$(R-\overline{R})2$
2015-2016	-55.6	-9.482	-46.15	2156.86992
2016-2017	-37.96	-9.482	-28.48	810.996484
2017-2018	32.23	-9.482	41.715	2039.89094
2018-2019	-11.5	-9.482	-2.020	4.072324
2019-2020	25.42	-9.482	34.902	1520.1796
	-47.41			5899.97928

TABLE 2.ONE WAY ANNOVA

ANNOVA source of variation	ss	df	ms	F	P-value	F-crit
Between groups	358130	3	1193677	6.093153	0.009227	3.490295
With ingroups	2350855	12	12			
Total	5931885	15	15			

Average (R) = å R = -47.41 = -9.48
$$\qquad\qquad\qquad N \qquad 5$$

$$\text{Variance} = \ 1/\text{n-1 å (R-}\overline{\text{R)2}}$$

Standard Deviation =   Variance

$$= \ 1\,(5899.97)$$
$$\qquad 4$$
$$= 70.24$$

TABLE 3. CALCULATION OF STANDARD DEVIATION OF CIPLA

Year	Return (R)	$\bar{R}$	$R-\bar{R}$	$(R-\bar{R})2$
2015-2016	54.23	-7.744	61.974	3840
2016-2017	-75.95	-7.744	-68.206	4652
2017-2018	41.09	-7.744	48.834	2384
2018-2019	-43.44	-7.744	-35.696	1574
2019-2020	-17.65	-7.744	-6.906	47.692
	-38.72			15207.692

TABLE 4 .ONE WAY ANNOVA

ANNOVA						
source of variation	ss	df	ms	F	P-value	F-crit
Between groups	14259882	3	4753294	5.1479	0.016192	3.490295
With ingroups	11080155	12	923346.5			
Total	25340037	15				

Average (R) = å R =   -38.72 = -7.744

  N   5

Variance = 1/n-1å (R-R)2

Standard Deviation =   Variance

$$= \ \frac{1}{4} (15207.692)$$

$$=55.22$$

TABLE 5. CALCULATION OF STANDARD DEVIATION OF RANBAXY

Year	Return (R)	$\overline{R}$	$R-\overline{R}$	$(R-\overline{R})2$
2015-2016	85.52	10.20	75.34	5676
2016-2017	17.35	10.20	4.20	20.39
2017-2018	-70.24	10.20	-80.42	6467
2018-2019	10.27	10.20	0.09	0.0081
2019-2020	10.99	10.20	0.81	0.6561
	50.89			15191

TABLE 6. ONE WAY ANNOVA

ANNOVA						
source of variation	ss	df	ms	F	P-value	F-crit
Between groups	7948243	3	2649414	1.015456	0.419894	3.490295
With ingroups	31309072	12	2609089			
Total	39257315					

Average (R) =å R = 50.89 = 10.20
N   5
Variance = 1 å (R-R) 2

n-1
Standard Deviation =   Variance

= 4 1 (15191)

= 55.16

FINDINGS:

WIPRO & CIPLA:

The combination of WIPRO and CIPLA gives the proportion of investment is 0.4905 and 0.5095

for WIPRO and CIPLA, based on the standard deviations The standard deviation for WIPRO is 70.24 and for CIPLA is 55.22

Hence the investor should invest their funds more in CIPLA when compared to WIPRO as the risk involved in CIPLA is less than WIPRO as the standard deviation of CIPLA is less than that of WIPRO.

CIPLA & RANBAXY:

The combination of CIPLA and RANBAXY gives the proportion of investment is 0.49919 and 0.50084 for CIPLA and RANBAXY, based on the standard deviations The standard deviation for CIPLA is 55.22 and for RANBAXY is 55.16 When compared to both the risk is almost same, hence the risk is same when invested in either of the security.

SUGGESTIONS:

1. Investor would be able to achieve when the returns of shares and debentures
Resultant portfolio would be known as diversified portfolio.

2. In case of portfolio management, negatively correlated assets are most profitable.
3 Correlation between the BAJAJ & WIPRO are negatively correlated which means both the combinations of portfolios are at good position to gain in future.

4.Investors may invest their money for long run, as both the combinations are most suitable portfolios. A rational investor would constantly examine his chosen portfolio both for average return and risk.

CONCLUSION:

Portfolio risk management is perfectly correlated securities or stocks, the risk can be reduced to a minimum point

Portfolio risk management negatively correlative securities the risk can be reduced to a

zero.(which is company's risk) but the market risk prevails the same for the security or stock in the portfolio.

To study the investment decision process analysis the risk return characteristics of sample and construct an effective portfolio which offers the maximum return for minimum risk.

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