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A STUDY ON RISK MANAGEMENT AT ICICI BANK PRUDENTIAL LIFE INSURANCE

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ABSTRACT

Risk management is a critical process that organizations employ to identify, assess, and mitigate potential threats and uncertainties that could impact their objectives. This abstract provides an overview of risk management, its significance, and key considerations for implementing effective risk management practices. In an increasingly complex and uncertain business environment, organizations face a wide range of risks, including operational, financial, strategic, and compliance-related risks. Risk management involves systematically identifying and analysing these risks, developing strategies to mitigate or exploit them, and monitoring their effectiveness. This abstract explores the importance of risk management in protecting organizations from adverse events, minimizing losses, and enhancing decision-making. It highlights how effective risk management enables organizations to proactively address potential threats, capitalize on opportunities, and improve their overall resilience and performance.

Key words: Risk, Portfolio Management, Non-Performing Assets, Profitability.

I. INTRODUCTION

Risk management is an important part of planning for businesses. The process of risk management is designed to reduce or eliminate the risk of certain kinds of events happening or having an impact on the businessRisk management is a process for identifying, assessing, and prioritizing risks of different kinds. Once the risks are identified, the risk manager will create a plan to minimize or eliminate the impact of negative events. A variety of strategies is available, depending on the type of risk and the type of business.

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There are a number of risk management standards, including those developed by the Project Management Institute, the International Organization for Standardization (ISO), the National Institute of Science and Technology, and actuarial societie Risk management is the process of identifying, assessing and controlling financial, legal, strategic and security risks to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters.

If an unforeseen event catches your organization unaware, the impact could be minor, such as a small impact on your overhead costs. In a worst-case scenario, though, it could be catastrophic and have serious ramifications, such as a significant financial burden or even the closure of your business.

To reduce risk, an organization needs to apply resources to minimize, monitor and control the impact of negative events while maximizing positive events. A consistent, systemic and integrated approach to risk management can help determine how best to identify, manage and mitigate significant risks.

II.REVIEW OF LITERATURE

DR. K. SRINIVAS, L. SAROJA, (2020) studied the debt-equity and burden of HDFC have less compared with ICICI bank, and hence long term solvency is well in ICICI bank. The CAMELS' analysis and t-test concludes that there is no significance difference between the ICICI and HDFC bank's financial performance but the ICICI bank performance is slightly less compared with HDFC.

M Guru Santhosh, Prof V N Prakash Sharma (2019) found to measuring the interest rate risk in Bank of Baroda and ICICI bank using the traditional gap analysis model. The findings revealed that the banks were exposed to Interest Rate Risk (IRR).

Preeti Roy, Saif Siddiqui, and Abdullah A. Alakkas (2021) observed the systematic risk aggregrated and disaggregated analysis on selected indian banks. This analysis is done through quantile- (Conditional Value at Risk) and TENET (Tail-Event-Driven Network) measure. State variables like Indian market volatility and global risk measures negatively influence the Indian banks' returns.

Dr.E.K. SIVASAKTHIVEL (2021) analysed the key responsibility areas of deposit mobilization, credit deployment, non-performing assets, profitability and productivity. The deposit mobilization has registered growth of 289 per cent and business per branch has almost quadrupled during the study period.

MANI BHUSHAN KUMAR (2020) found that banks at present and in future going to face issues related to cybersecurity, IT disruption, climate risk any many more emerging risk which need to be studied and prepared with right policy.

III.NEED FOR THE STUDY:

- Portfolio management or investment helps investors in effective and efficient management 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.

IV.OBJECTIVES OF THE STUDY:

- To study the investment decision process.
- To analyse the risk return characteristics of sample scripts.
- To examine and understand risk Management practices at ICICI Prudential.
- To construct an effective portfolio which offers the maximum return for minimum risk.

V.SCOPE OF THE STUDY:

- This study covers the Markowitz model application on ICICI Prudential scripts.
- The study includes the calculation of individual Standard Deviation of securities.
- The study uses secondary sources of data collection.
- The duration of the study is 2017-2022.

VI.RESEARCH METHODOLOGY:

Secondary sources:

Published firm annual reports for the year 2017-2022.

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Data analysis tools: Markowitz model, Standard deviation.

VII.LIMITATIONS OF THE STUDY:

- Only two samples have been selected for constructing a portfolio.
- Share prices of scripts of 5 years period was taken.
- The period chosen for the study is from Jan 2018 to July 2022, which includes the economic downturn time and hence the study cannot be used to reflect the chosen portfolio's performance during normal times.
- The basis of assigning the weights to each of the securities in the portfolio is subjective.
- Equal weights have been given to the securities in the portfolio, due to which the variations in the Risk return subject to changes in the weights have not been observed.

VIII.DATA ANALYSIS AND INTERPRETATION

CALCULATION OF RETURN OF ICICI:

Year	Opening value (P0)	Closing value (P1)	(P1-P0)	(P1-P0)/P0*100
2021-22	823	835.2	12.2	1.48
2020-21	799.95	337.85	-462.1	-57.77
2019-20	360	960.05	600.05	176.68
2018-19	952	1612.25	175.25	17.31
2017-18	1615	856.05	-253.95	-22.88
Total return	**4549.95**	**4601.4**	**76.45**	**153.83**

Average return =153.83/5

= **20.77**

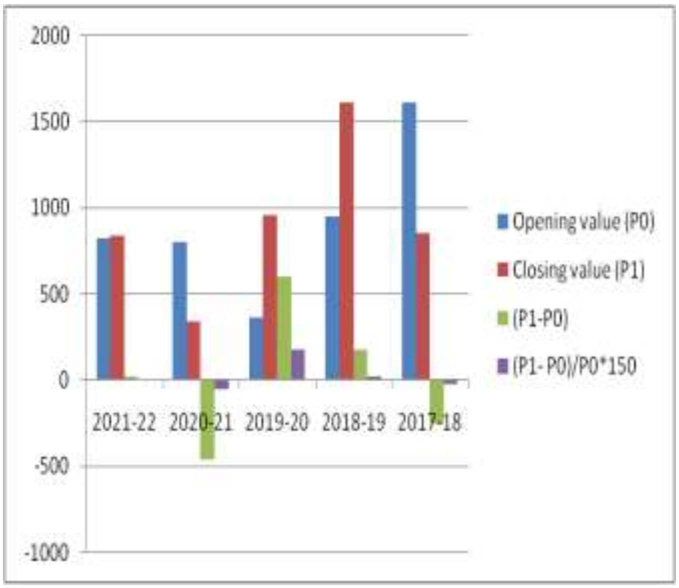

Table no 4.a. Graphical representation of

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Rate of Return = Share price in the closing – Share price at the opening *100

Price in the opening

Rate of return(2021) = ((835.2-823)/823) *100 = 1.48

Rate of return (2020) = ((337.85-799.95)/799.95)* 100 = -57.77

Rate of return (2019) = ((960.05-390)/390)* 100 = 146.16

Rate of return (2018) = ((161.25-952)/952)* 100 = -83.06

Rate of return (2017) = ((856.05-1615)/1615) * 100 = -46.99

The average returns of ICICI are 20.77 wherein the maximum returns are in third year i.e.2022-21. The above table shows the opening value is high in the year 2017-18 while comparing to the financial year 2022, and the closing value is high in the year 2018-19 while comparing to the financial year 2022, the difference of closing and opening values is high in the year 2019-20 while comparing to the year 2022.

IX.FINDINGS SUGGESTIONS CONCLUSION

FINDINGS

- The combination of HDFC and ICICI gives the proportion of investment is 1.1801 and 0.8199 for HDFC and ICICI, based on the standard deviations the standard deviation for ICICI is 34.846 and for HDFC is 24.88.
- Hence the investor should invest their funds more in HDFC when compared to ICICI as the risk involved in HDFC is less than ICICI as the standard deviation of HDFC is less than that of ICICI. The combination of it and Colgate gives the proportion of investment is 0.0503 and 0.9497 for its and Colgate, based on the standard deviations the standard deviation for it is 54.55 and for colgate is 22.2.
- Hence the investor should invest their funds more in collate when compared to it's as the risk involved in Colgate is less than ITC as the standard deviation of Colgate is less than that of ITC.

SUGGESTIONS

- Investor would be able to achieve when the returns of shares and debentures Resultant portfolio would be known as diversified portfolio. Thus, portfolio construction would address itself to three major via. Selectivity, timing and diversification.

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

In case of perfectly correlated securities or stocks, the risk can be reduced to a minimum point. In case of 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.

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