

## The Impact of Internal Factors on Financial Performance of Life Insurance Companies in Sri Lanka

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### ABSTRACT

**Introduction-** The performance of the company plays a leading role towards the growth of the industry which ultimately leads to the overall success of the economy. Therefore, Organizational performance has attracted scholarly attention in corporate finance literature over the several decades. Nevertheless, a little attention has been paid for such when it comes to the insurance sector. Thus, the present study attempts to identify the factors determining the profitability of insurance companies operating in Sri Lanka by taking return on asset as dependent variable.

**Design/methodology/approach** -The sample for this study includes the 10 Life insurance companies in Sri Lanka and it used the data pertaining to five financial years from year 2015. For the purpose of analysing the data, descriptive analysis, correlation analysis and regression analysis were conducted with the aim of testing hypotheses formulated for this research. Therefore, internal factors such as Age of the firm, Size, Liquidity, and leverage were regressed against Return on Assets.

**Findings**-This study led to the conclusion that profitability of insurance companies in Sri Lanka is positively and significantly influenced by liquidity and Leverage while age and Size of the firm have an insignificant effect on the performance of Life insurers in Sri Lanka.

**Conclusion-** Finally, the research recommends life insurance companies in Sri Lanka to perform better in terms of their return on assets where, they need to improve the leverages and liquidity to a certain level based on the results of the study.

**Keywords:** *Life Insurance Companies, Age, size, liquidity, Leverage, Financial Performance*