

# **Determinants of Financial Performance of listed Insurance Companies in Sri Lanka**

**M.A.A.P. Dilrukshi<sup>1</sup> and H.L.D.J. Chathurika<sup>2</sup>**

Department of Finance, University of Kelaniya, Sri Lanka<sup>1,2</sup>

[achinidilrukshi35@gmail.com](mailto:achinidilrukshi35@gmail.com)<sup>1</sup>, [jayanic@kln.ac.lk](mailto:jayanic@kln.ac.lk)<sup>2</sup>

## **ABSTRACT**

**Introduction:** Due to the intangible nature of insurance products and the lack of transparency in the market, the criteria that affect the financial performance of an insurance company are complex. As a result, the financial performance of insurance companies is important to various stakeholders, such as insurers, insurance intermediaries, and policymakers. The purpose of this study is to investigate the factors that determine the financial performance of insurance companies in Sri Lanka.

**Design/Methodology/Approach:** The sample consists of 5 listed insurance companies, including both of life and non-life insurance companies in Sri Lanka, over 2015-2020. The analyses include five variables which internal factors are liquidity ratio, leverage ratio, asset turnover, and external factors are the growth of the economy and interest rate. The financial performance is measured using return on asset (ROA) and return on equity (ROE). Descriptive statistics and regression models were used to analyze the data set through Stata-13 Software.

**Findings:** This study's findings emphasize that there is a significant negative relationship between the liquidity, leverage, and interest rate on return on equity (ROE) of the listed insurance companies in Sri Lanka. In addition to that, asset turnover and growth of the economy have a significant positive relationship between the return on equity (ROE) of the listed insurance companies in Sri Lanka.

**Conclusion:** The managers need to monitor liquidity and leverage internally to achieve higher financial performance while facing external shocks.

**Keywords:** *Insurance companies, Sri Lanka, Determinants, Financial performance, panel data*