

Impact of Firm Specific Factors on Financial Performance of Diversified Financials in Sri Lanka: Evidence from CSE listed companies under the category of Diversified Financials

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Abstract

Introduction: Diversified financial companies play a pivotal role in the financial landscape, offering a broad spectrum of services encompassing lending, insurance, asset management, and investment management. The efficient utilization of resources to generate revenues is a key determinant of financial performance, holding immense significance in the current economic climate. This study aims to investigate the influence of firm-specific factors on the financial performance of diversified financial companies listed within the diversified financial sector of the Colombo Stock Exchange (CSE). The research further endeavors to assess the moderating impact of interest rates on the financial performance of these listed companies in Sri Lanka.

Methodology: The research focuses on the top 20 profitable financial companies selected from the pool of 42 listed diversified companies on the CSE. The study employs multiple regression analysis in STATA 17 to examine eight hypotheses relating to firm-specific factors and the moderating impact of interest rates on financial performance.

Findings: The study's overall results indicate significant impacts between firm-specific factors and the financial performance of diversified financial companies listed in the CSE. These firm-specific factors are essential contributors to the observed financial outcomes. Moreover, a noteworthy finding is the substantial impact of interest rates on the financial performance of these diversified financial entities. The research highlights the intricate relationships between these factors and financial performance.

Conclusion: In conclusion, this study provides valuable insights into the dynamics governing the financial performance of diversified financial companies in the CSE. Firm-specific factors emerge as influential contributors to financial outcomes, emphasizing the need for strategic management of these factors. Additionally, the study underscores the significant moderating impact of interest rates on the financial performance of diversified financial companies, further illustrating the multifaceted nature of their financial dynamics.

Keywords: Firm-specific factors; Financial performance; Diversified financial companies.