

## The Determinants of Performance of the Listed Insurance Companies in Sri Lanka

M. C. S. Maduwantha<sup>1</sup> and H. J. R. Buddhika<sup>2</sup>

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

[Chanakasubash111@gmail.com](mailto:Chanakasubash111@gmail.com)<sup>1</sup>, [buddhkar@kln.ac.lk](mailto:buddhkar@kln.ac.lk)<sup>2</sup>

### ABSTRACT

**Introduction** - Insurance services is an integrated with the financial industry and services. The insurance sector plays a vital role in the service-based economy of Sri Lanka. This paper aims to examine the determinants of the performance of the listed insurance companies in Sri Lanka.

**Design/methodology/approach** - Financial performance measured through Return on Assets and six independent variables such as Capital Adequacy, Size, Leverage, Liquidity, Economic Growth and Inflation used for this study. Ten listed insurance companies in Colombo Stock Exchange (CSE) from 2010 to 2019 selected for the study and analysed using Eviews. Annual reports of each company provided secondary data for the study.

**Findings** – Internal factors of size, liquidity and leverage have a statistically significant impact on insurance company performance. Among them, size and leverage are negatively affect for ROA, while liquidity has a positive effect on ROA. Capital adequacy is negative and insignificant concerning performance under ROA. Further, the macroeconomic variable of inflation is significantly and positively impact performance ROA. The coefficient of the economic growth rate is positive but insignificant, with ROA as a proxy for the performance of insurance companies.

**Conclusion** – The firm-specific variables and macroeconomics variables provides a better understanding of the implication and mechanisms that determine the performance of insurance companies in Sri Lanka.

**Keywords:** *ROA, Internal variables, Macroeconomics, Insurance Companies, CSE*