

FACTORS AFFECTING GENERAL INSURANCE COMPANIES PROFITABILITY: EMPIRICAL STUDY IN INDIA

WONDWOSSEN JERENE DAARE

LECTURER, ARBA MINCH UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE.

ABSTRACT

The general objective of this study was to investigate factors that determining general insurance profitability in India. Financial statements of non-life general insurance companies were collected from the year 2006 up to 2016 from 10 general insurance companies (4 public and 6 private insurances). Panel data analyzed using Fixed Effect Model (FEM) after testing the appropriateness of the model with Random Effect and Pooled regression model. According to the regression result, capital adequacy and GDP are positively affecting profit and liquidity and inflation negatively affecting the profitability of general insurances in India. Mangers may give more emphasis on the capital adequacy and current liability management to maintain the profitability position in the industry.

KEY WORDS: factors affecting, general insurance, internal factors, profitability.

References

- Kaur, N. & Kapoor, R. (2007), Profitability Analysis of Public Sector Banks in India, *Indian Management Studies Journal*, Vol. 11, 167- 181.
- Charumathi, B. (2012). Determinants of Profitability of Indian Life Insurers - An Empirical Study. *Proceedings of the World Congress on Engineering, Vol I*, WCE 2012, July 4-6, 2012, London UK, ISBN: 978-988-19251-3-8.
- Jibran, A., Sameen, M., Kashif, A. & Nouman, K. (2016). Determinants that Affect the Profitability of Non-Life Insurance Companies: Evidence from Pakistan. *Research Journal of Recent Sciences*, Vol. 5(4), 6-11.
- Williams J. S. (1998), "Distinguish Insurance from Investment Products under the McCarran Ferguson Act: Crafting A Rule of Decision", *Columbia Law Review*, Vol. 98, Issue. 8.
- Malik, H. (2011). Determinants of Insurance Companies Profitability: An Analysis of Insurance Sector of Pakistan. *Academic Research International, Volume 1*, 315-321.
- Burja, C. (2011). Factors Influencing the Companies' Profitability. *Annales Universitatis Apulensis Series Oeconomica, 13(2)*, 215-224.

Riaz, S. & Mehar, A. (2013). The impact of Bank Specific and Macroeconomic Indicators on the Profitability of Commercial banks. *The Romanian Economic Journal*, Year XVI no. 47, 91-110.

Sufian, F. & Chong, R.R. (2008). 'Determinants of bank profitability in a developing economy: empirical evidence from the Philippines'. *Asian academy of management journal of accounting and finance*, Vol. 4, No. 2, 91-112.

Hussain, I. (2015). Macro Economy and Profitability of Insurance Companies: A Post Crisis Scenario in Pakistan. *Pakistan Business Review* July 2015, 243-263.

Alper, D. & Anbar, A. (2011), "Bank Specific and Macroeconomic Determinants of Commercial bank profitability": Empirical Evidence from Turkey. *Business and Economics Research Journal*, 2: 2,139-152.

Bawa, K. & Chattha, S. (2013). Financial Performance of Life Insurers in Indian Insurance Industry. *Pacific Business Review International Volume 6*, 44-48.

Ansari, A. & Fola, W. (2014). Financial Soundness and Performance of Life Insurance Companies in India. *International Journal of Research (IJR) Vol-1*, pp224-253.

Lee, Chen-Ying (2014). The Effects of Firm Specific Factors And Macroeconomics on Profitability of Property-Liability Insurance Industry in Taiwan. *Asian Economic and Financial Review*, 4(5), 681-691.

IRDAI (2014/15), Annual Report. Available at www.irdaindia.org.

IRDAI. (2015). Disaster Management – Role of Insurance in Risk Mitigation, March, 2015, *IRDAI Journal*, Volume XIV, No. 3, P.C. James.

Hair, J. & Black, W. (2006), *Multivariate data analysis*, New York, Prentice Hall

Chen, R., & Wong, K., (2004), the determinants of financial health of Asian insurance companies. *The Journal of Risk and Insurance*, Vol. 71, No. 3, 469-499.

A.Y Almajali (2012), Factors Affecting the Financial Performance of Jordanian Insurance Companies Listed at Amman Stock Exchange, *Journal of Management Research*, Vol. 4, No. 2, 266-289.

Derbali A. (2014), determinants of performance of insurance companies in Tunisia, *International Journal of Innovation and Applied Studies*, Vol. 6 No. 1, 90-96.

Doumpos, M. Gaganis, C. & Pasiouras, F. (2012), Estimating and Explaining the Financial Performance of Property and Casualty Insurers: A Two-Stage Analysis. *The Business and Economics Research Journal*, Vol. 5, Issue 2, 155-170.

Sufian, F. (2009). Determinants of bank efficiency during unstable macroeconomic environment: Empirical evidence from Malaysia. *Research in International Business and Finance*, 23, 54-77.