



**FACTORS AFFECTING FINANCIAL PERFORMANCE
OF INSURANCE COMPANIES LISTED IN BURSA
MALAYSIA**

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ABSTRACT

There are many different mathematical measures to evaluate how well a company is using its resources to make a profit. The main purpose of this research was to examine the factors that mostly affect financial performances of Malaysia Insurance companies. The study population consist of six insurance companies enlisted at Bursa Malaysia and the period covered is from 2006 to 2015. The data collected is analyse by using number of basic statistical technique such as T-test and Multiple-regression. The result is expected that liquidity and firm size have positive relationship with financial performance (return on asset) of insurance companies while leverage have negative relationship towards profitability. The previous researcher recommended that high consideration of increasing the company asset will lead to a good financial performance and there is a significant need to have highly qualified employees in the top managerial staff.

CHAPTER 1

1.0 INTRODUCTION

1.1 Introduction

This chapter present background of the study, statement of the problem, research objectives, research questions, significant of the study, scope of the study, limitation of the study as well as definition of basic terms and concepts to be used in this study.

1.2 Background of the Study

Financial performance or non-financial performance can be used to examine the efficiency of the organization. Financial performance absolutely related to financial report of the company which is focus on their variables. According to Alamro and Al-soub (2012) in their journal, performance of the companies was examined based on three dimensions. On the first dimension, the performance of the companies is analyze in terms of their productivity while the second dimension is focus on company's profitability which is in other word is the level of company's earning are higher than its cost. The third dimension is the level of which company's market value is greater than its book value which is known as market premium.

This study is implement in order to evaluate in what way a company is using its resources to get a profit. The main desire of this research is to examine the factors that mostly affect financial performances of insurance companies in Malaysia. The study population is consist of top's six insurance companies listed at Bursa Malaysia and the period covered is from 2006 to 2015 (10 years). The insurance companies has been selected are Great Eastern Life Assurance (Malaysia) Berhad, Hong Leong Assurance Berhad, Etiqa

Insurance Berhad, AmGeneral Insurance Berhad, Allianz Life Insurance Malaysia Berhad and Prudential Assurance Malaysia Berhad.

In order to review at the past and present performance of these companies and to make the comparative study between these six companies the data collected is analyze by using panel data. Leverage ratio, liquidity ratio and size of firm is used to evaluate the performance of the companies. The past researcher stated that increasing the company asset will lead to a great financial performance and there is an important need to have highly knowledgeable and qualified employees in the top managerial staff.

During the past two decades insurance industry give an image to extraordinary growth especially in the emerging market. Chang, Cheng, Pan, and Wu (2013) stated that the behavior of the insurance market not only to promote financial intermediation but also to ease a number of economic transaction by transferring the risk. According to Vafae, Yasbolaghi, Mohammadi and Havas (2014), as the growth and development of insurance industry increase, the economic growth and development of country also increase. This is due to the development of insurance industry contributes to economic growth of the countries and also enhance to a better of living condition of people. In macroeconomic viewpoint, insurance industry will affect national wealth maintenance, credit rating, investment guarantee and development, increase the tendency to saving, improve foreign currency balancing and enhancing the performance of businessman.