

THE RELATIONSHIP OF INTERNAL DETERMINANTS TOWARDS
FINANCIAL PROFITABILITY: AN ANALYSIS OF INSURANCE COMPANIES
IN MALAYSIA



**THE RELATIONSHIP OF INTERNAL DETERMINANTS TOWARDS FINANCIAL
PROFITABILITY: AN ANALYSIS OF INSURANCE COMPANIES IN MALAYSIA**

Submitted in Partial Fulfillment of the
Requirements for the
Bachelor of Business Administration with Honours (Finance)

SAIDAH BINTI MOHD ALI
2015829996

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS IN FINANCE
BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE)
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITI TEKNOLOGI MARA KOTA KINABALU
SABAH

JULY 2017

ACKNOWLEDGEMENT

First and foremost, I want to thank Allah SWT Almighty for the guidance and blessing in completing this project and brightened my direction on this journey.

Next, I would like to extend my deepest appreciation to my advisors, Madam Sarmila Udin and Madam Siti Rahayu Beli for giving me the opportunity to be their advisee to assist us in completing the final year project along with my coursemate. Not to forget to Miss Anastasia Harbi as our second examiner for the feedback and comments towards my study of this research. Through this semester, they always giving me the guidance and give valuable comments on my progress in completing my report. Without their help, this research would not be complete.

Last but not least, I would like to be thankful for the willingness, support, encouragement and help from my family and friends in doing this research. Their endless support has helped me a lot in doing my final year project. Syukur Alhamdulillah.

TABLE OF CONTENTS

CONTENTS	PAGE
TITLE PAGE	I
DECLARATION OF ORIGINAL WORK	II
LETTER OF SUBMISSION	III
ACKNOWLEDGEMENT	IV
TABLE OF CONTENTS	V
LIST OF FIGURES, TABLE AND ABBREVIATIONS	VIII
ABSTRACT	IX
CHAPTER 1 INTRODUCTION	
1.1 Background of Study	1 - 2
1.2 Problem Statement	2 - 4
1.3 Research Objectives	4 - 5
1.4 Scope and Limitation of Study	5
1.5 Significant of Study	5 - 6
1.6 Definition of Term	6 - 7
1.6 Summary	7
CHAPTER 2 LITERATURE REVIEW	
2.1 Introduction	8 - 9
2.2 The Concept of Insurance Companies and Profitability	9
2.2.1 The Concept Of Insurance Companies	9
2.2.2 Profitability	9 - 11

2.2.3	Profitability Related Theories	11
2.2.3.1	Agency Theory	11
2.2.4	Determinants of Profitability in Insurance Companies	11 - 14
2.2.4.1	The Effects Of Size Of The Company On Profitability	12 - 13
2.2.4.2	The Effects Of Liquidity On Profitability	13
2.2.4.3	The Effects Of Leverage On Profitability	13
2.2.4.4	The Effects Of Volume of Capital On Profitability	14
2.2.4.5	The Effects Of Tangibility of Assets On Profitability	14 - 15
2.2.4.6	The Effects Of Firm Growth On Profitability	15
2.2.4.7	The Effects Of Managerial Efficiency On Profitability	15 - 16
2.3	Summary	16

CHAPTER 3 RESEARCH METHODOLOGY

3.1	Introduction	17
3.2	Data Collection Method	17
3.3	Measurement of Variables	18 - 20
3.4	Types of Study	20
3.5	Sample of Study	20
3.6	Hypothesis Development	21 - 22
3.7	Design of Empirical Model	23
3.8	Conceptual Framework	24
3.9	Software	24
3.10	Estimation Procedure	25
3.11	Explanation of Estimation Procedure	26 - 27
3.12	Summary	27

This paper investigates the relationship between internal determinants (size of company, liquidity, leverage, volume of capital, firm growth and managerial efficiency) and financial profitability of insurance companies in Malaysia. The sample of this study includes seven insurance companies that are listed in Bursa Malaysia for the year 2009 to 2016. The data was obtained from secondary data which is from the financial statement and balance sheet for each insurance companies. This research was examined through a panel data analysis. The result shows that leverage, volume of capital, tangibility of assets, firm growth and managerial efficiency has a positive relationship to profitability. In contrast, the result found that size of company and liquidity has a negative relationship towards the profitability of insurance companies in Malaysia. In this study, the measurement of profitability of insurance companies in Malaysia is using return on assets (ROA).

Keywords: Insurance Company, Profitability, Return On Asset, Internal Determinants