EFFECT OF CLAIM PAYMENT ON PROFITABILITY OF NEPALESE LIFE INSURANCE COMPANIES

A Dissertation submitted to the Office of the Dean, Faculty of Management, in partial fulfilment of the requirements for the Degree of Masters of Business Studies

by

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July, 2024

CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**EFFECT OF CLAIM PAYMENT ON PROFITABILITY OF NEPALESE LIFE INSURANCE COMPANIES**" The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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ACKNOWLEDGEMENTS

The dissertation entitled " **EFFECT OF CLAIM PAYMENT ON PROFITABILITY OF NEPALESE LIFE INSURANCE COMPANIES "** has been prepared in partial fulfilment for the degree of master of business studied (MBS) under the Faculty of Management, Tribhuvan University, in based on research models involving the quantitative aspect of bank profitability analysis.

I have great satisfaction and pleasure to express my appreciation and sincerity to my dissertation supervisors Asso. Prof. Dr. Kapil Khanal, Lecturer of Shanker Dev Campus TU for his excellent and effective guidance and supervision. I will remain thankful for their valuable direction useful suggestion and comments during the course of preparing this dissertation without his help this work would not have come in this form.

Furthermore, I am thankful to all the administrative and library team of Shanker Dev Campus. I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this thesis.

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ABBREVIATIONS

AD	:	Anno Domini
AIC	:	Akaike information criterion
BS	:	Bikram Sambat
DER	:	Debt to Equity Ratio
e.g.	:	Example
F/Y	:	Fiscal Year
i.e.	:	That is
LDR	:	Loan to Deposit Ratio
Ltd	:	Limited
MBS	:	Master of Business Studies
ROA	:	Return on Assets
ROE	:	Return on Equity
SC	:	Schwarz criterion
SD	:	Standard Deviation
SEM	:	Structural Equation Modelling

ABSTRACTS

The main purpose of this study is to know the impact of claim payment variables on performance of Insurance companies. The results are based on the secondary data which are collected for five insurance companies during the period 2013/14 to 2022/23. The study helps to examine the impact of loss ratio, insurance premium, Loan to deposit ratio and firm size on profitability of Insurance companies. The study shows that loan to deposit, insurance premiums and firm size have significant impact on profitability measured by ROA. However, loss ratio has not significant impact on profitability of Nepalese insurance companies measure by ROA and ROE. Further, Loan to deposit ratio has significant impact on profitability measured by ROE and remaining variable doesn't impact on profitability measured by ROE. The study concludes that the claim payment requirement has a significant impact on the performance of Nepalese insurance companies. Similarly, the result shows that LR, IP and Firm size have positive relationship on profitability of Insurance companies measured by ROE. Similarly, the result shows that LR and LDR have negative relationship on profitability of Nepalese insurance companies measured by ROE. The study concludes that Firm size, insurance premium and loan to deposit have significant impact on the profitability of Nepalese insurance companies measured by ROA but LR and LDR does not significant impact on profitability of Insurance companies measured by ROA. The study also concludes that firm size loan to deposit and insurance premium is the most influencing factor that explains the changes in the profitability of Nepalese insurance companies. The findings suggest a relationship between claim payment and profitability for these insurance companies. Specifically, loan to deposit ratio, insurance premiums, and firm size were found to significantly affect profitability as measured by ROA. However, loss ratio did not show a significant influence on profitability measured by both ROA and ROE. Additionally, loan to deposit ratio had a significant impact on profitability measured by ROE, while the other variables did not. In conclusion, this study indicates that claim payment requirements indeed play a significant role in shaping the performance of Nepalese insurance companies.

Keywords: *Return on assets, return on equity, loss ratio, insurance premium, loan to deposit ratio, firm size*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Insurance operates as a windbreaker on such a humid day. It is a contract in which the insured and the insurer agree that the members would reimburse the insured for a loss resulting from a certain cause within a given time frame in exchange for a monetary payment known as a premium. Life insurance protects a family in the event of a person's untimely death or gives a suitable sum in later life when earning capacity is reduced. To pay the few who are really hurt by a hazard, insurance distributes its cost across a large number of persons who are exposed to the same risk. According to this method, life insurance functions more like an investment than a type of protection since the insured receives a predetermined payout at the time of death after a specified length of time. It is believed that this agreement demonstrates a high degree of good faith and insurable interest. In this sense, insurance is a method of shifting the risk of loss from one organization to another in order to reduce monetary losses. An instrument known as insurance offers monetary compensation to people who have bad luck. Stated differently, insurance provides the greatest protection against a variety of threats to both human life and property (Shrestha, 2020).

The capacity of an insurance business to pay claims when they are due is determined by its profitability. Numerous academics have stated that premium revenue has to be high enough to pay underwriting costs as well as claim costs. If this fundamental insurance principle is incorrect, an insurer may struggle or delay paying claims, which might harm the company's image. The insurance company's income is negatively impacted when claims are not paid when they should be because it undermines policyholder trust and makes it harder to draw in new customers (Afolabi, 2018). In general, profitability refers to how well a business or sector generates profits. Regardless of the type of business, investment is required to turn a profit. Furthermore, it makes sense that both present investment and future profitability are correlated with current profitability. Profitability is a result-focused metric that is closely monitored above all other performance assessment categories. It is variously interpreted as net income, equity value, and return on investment. In the insurance sector, performance can be classified as non-financial or financial. Financial

performance include both investment and profit performance. One may assess non-financial performance by examining both internal and external variables. Better risk pricing, more efficiency in the overall allocation of capital and mix of economic activity, and increased productivity should be the end results of a healthy insurance market (Mogro & Barrezueta, 2019).

In exchange for premium payments, an insurance company issues a life insurance policy. Upon the insured's death, the insurance company pays dependents a lump sum payment known as a death benefit. Usually, a person chooses life insurance based on their objectives and requirements. Getting insurance helps reduce future risk and monetary losses. According to Black, Matthews, and Millington (2019), insurance is a cooperative method of allocating losses that affect a single person or his family among a big number of people. Each person bears a little cost and feels protected against significant loss.

There are currently 40 insurance firms in total, 19 of which are life insurance businesses. The insurance industry's overall financial resources as of the end of 2022 have been utilized to the tune of Rs. 313.89 billion. Life Insurance and Life Insurance Companies hold shares of Rs. 83.22 billion and Rs. 230.67 billion, respectively, out of this total. Only 22% of the population in the nation has access to insurance. Due to insufficient investment in life insurance products, poor affordability, inefficient marketing techniques, and a lack of insurance awareness, Nepal's life insurance market has not made as much progress as that of established foreign nations. Based on the Financial Inclusion Roadmap 2017–2022, eighty percent of Nepal's adult population lacks insurance of any kind. This indicates that Nepal has a sizable unexplored insurance market (Economic Survey, 2022).

An application for benefits from an insurance company is called an insurance claim. The number of claims that are paid out for every 100 claims submitted by policyholders is shown by the claim settlement ratio. It shows how much the policyholder may anticipate his or her nominees receiving the promised amount protected upon death. A key responsibility of insurance companies is to pay genuine claims quickly and easily. This process is known as claim settlement, and it is a crucial component of claim management.

A firm's ability to settle claims is essential to its operation. The product, service, and mechanism for paying claims based on customers' policies are what make an insurance company successful. The services offered to individuals, clients, and consumers have a significant impact on the expansion of the insurance policy market. Insurance is a type of contract in which two parties, the insured and the insurer, agree to protect each other's property in exchange for the insured paying a set amount in premiums for a defined period of time. A quick and proper claim payout attracts and keeps more customers, which is another crucial component of the risk management system. Additionally, we may favorably reflect life insurance firms' profits and lower their chance of losing money (Afolabi, 2018).

Claims come in several forms, primarily in two categories: death claims and maturity claims. Maturity claims result from living to the date of maturity at the end of the policy term; survival benefits result from living for a certain amount of time throughout the term; and death claims result from the life assured dying during the term. Before receiving any money, policyholders or nominees must submit an insurance claim. The insurance provider may decide to accept the claim or reject it depending on how they see the circumstances around the claim. One of the most crucial aspects of life insurance services is claim settlement. It was stated that the actual testing of any insurance occurs throughout the claims process. When a policyholder needs assistance, they anticipate a quick, easy, and equitable claim settlement procedure (Yadav & Mohania, 2015).

An essential component of insurance firms' profitability is the settlement of claims. In exchange for a little payment, the insurer promises to give benefits in the event of an uncertain loss, which is how the premium is collected from the insured. The insurance company's capacity to pay claims for significant losses, which might occur at any moment, has increased with premium income. Consequently, the claim settlement procedure must be carried out in a fast and professional manner; there should be no fraud or delays from the insurance companies, and the insurer must also guarantee the legitimacy of the claim made by the client. The research assesses how the profitability of Nepal's insurance business is affected by the settlement of claims.

1.2 Statement of the problem

The claim payment is the benefit that an insured expects from their insurance policy every insurance policy is purchased in the hope of getting benefit on the unexpected loss so the insurance company should be able to satisfy their customer on claim payment to increase and retain their customer. In Nepal, primary focus is given to the collection of premium for the profitability of the insurance industry: Claim payment play an equal and important role in the continuation of the insurance company as premium collection do. Collecting premium but lacking the effective claim settlement has significantly affect the further premium collection and profitability of the insurance industry. There is not sufficient premium income to cover claim costs and underwriting expenses which causes a delay in the claim payment of the life insurance companies (Basaula, 2016).

Claim settlement is very important part. Premium collection by selling insurance policies is largest source of income of Life Insurance Company. Sales of Polices has been directly affected if claims are not properly settled. LIC India has strong hold in the life insurance market due to its better claim settlement. He again stated in his study that there is positive relationship between sales and claim settlement. Better claim settlement leads good sales and customer relation (Yadav, 2012). A study observed that there are cases of in claim settlement that may happened but if the policyholder uses proper precautions he has prevent himself from fraud. LIC of India provides better corporate services for settling the customers claim. Authors studied comparison of claim settlement ratio of LIC with other life insurance industry and survey of policy holders and opinion regarding claim settlement (Kalani et al., 2013).

Thus, claim management plays an important role in the profitability of the Insurance Industry. The insurance company should be able to maintain sufficient premium income less claim cost, valid, fair, and timely claim payment to the insured for the success and profitability of the insurance company.

i. What is the status of claim payment and the profitability of Nepalese life insurance companies?
ii. Is there any relationship between loss ratio, expenses ratio, firm's size, insurance premium and profitability of Nepalese life insurance companies?

iii. Is there any impact of loss ratio, expenses ratio, firm's size and insurance premium on profitability of Nepalese life insurance companies?

1.3 Objectives of the study

The main purpose of the study is to find out the effects of claim payment on the profitability of the life insurance company. Some specific objectives of the study are as follows:

i. To examine the relationship between claim payment and profitability (ROA and ROE) of Nepalese life insurance companies.

ii. To examine the relationship between claim payments, loss ratio, expenses ratio, firm's size, insurance premium and profitability Nepalese life insurance companies.

iii. To analyze the impact of claim payment, loss ratio, expenses ratio, firm's size, insurance premium on profitability (ROA and ROE) of Nepalese life insurance companies.

1.4 Hypothesis of study

The following set of alternative hypothesis has have been assumed under this research:

H1: There is impact of loss ratio on profitability (ROA and ROE) of Nepalese life insurance companies.

H2: There is impact of claims paid on profitability (ROA and ROE) of Nepalese life insurance companies.

H3: There is impact of expenses ratio on profitability (ROA and ROE) of Nepalese life insurance companies.

H4: There is impact of firm's size on profitability (ROA and ROE) of Nepalese life insurance companies.

H5: There is impact of insurance premium on profitability (ROA and ROE) of Nepalese life insurance companies.

1.5 Rationale of the study

This research is to analyze the effects of claim payment on the profitability of Life Insurance Companies. The main motive is to highlight the importance of claim process management and contribute in the improvement of profitability of Life Insurance Companies of Nepal. Proper and timely claim settlement practice is essential for the growth and development of the Insurance Industry. Life Insurance Companies should focus on creating an effective claim settlement practice and fraud on claim payment would break the trust and believe of people which has lead to lose the potential customer producing a negative influence on the profitability. The result of the study has have the following significance:

i. The study has help to ascertain the extent of the effect of claim management on the profitability of insurance companies in Nepal.

ii. The study has have significant impact on the claim process management of Life Insurance Companies.

iii. The result of this study has been useful for executives of insurance companies to improve profitability.

iv. The result of the study has further serve the new researcher for their study on a similar field in the future.

1.6 Limitations of the study

The limitations of the study are:

i. The whole study has deal with some selected life insurance company's profitability as there is 19 life insurance companies operating in Nepal but it covers only five life insurance companies.

ii. The study has concern at least ten-year period's data and conclusion drawn confines only to the limit duration.

iii. Time and resources constraints can be another factor that limited the scope of the study.

CHAPTER II

LITERATURE REVIEW

Every study has to include a literature review. It is a method of learning what has been covered and left in the field by past researchers. A critical evaluation of the literature aids in the researcher's development of a deep comprehension and insight into earlier studies that are relevant to the current investigation. Finding, acquiring, reading, and assessing the research literature in the student's area of interest constitutes a literature review, then. Finding out what research has been done and what needs to be done in one's chosen topic of study is the goal of a literature review (Sekaran, 2016).

2.1 Theoretical review

The theoretical framework is developed so that it serves as a foundation on which the entire research is based.

2.1.1 The principle of Utmost Good Faith

The principle of Utmost Good Faith, also known by its Latin term "Uberrimae Fidei," is a fundamental concept in insurance contracts. It emphasizes the high level of honesty and full disclosure expected from both parties involved in the insurance agreement—the insured (policyholder) and the insurer. This principle implies that both parties must provide all material information relevant to the insurance contract openly and honestly.

The principle of Utmost Good Faith is often cited in legal and academic discussions related to insurance law. However, it's worth noting that the application of this principle can vary to some extent depending on the legal jurisdiction and the specifics of individual insurance contracts.

The principle of Utmost Good Faith (Uberrimae Fidei) is a foundational concept in insurance law, emphasizing the need for the highest level of honesty, transparency, and good faith between the insured and the insurer. This principle is particularly relevant during the formation of an insurance contract, where both parties are required to provide complete and accurate information about all material facts related to the risk being insured.

The principle serves as a foundation for the insurance industry, ensuring that both parties enter into contracts with a high degree of transparency and trust. Insured individuals are obligated to disclose all material facts to the insurer, and insurers are expected to deal fairly and honestly with policyholders. Violation of this principle may lead to voiding the insurance contract or other legal consequences.

Understanding and adhering to the principle of Utmost Good Faith is crucial for maintaining trust and fairness in the insurance industry. It promotes transparency, helps prevent fraud, and establishes a framework for resolving disputes related to non-disclosure or misrepresentation in insurance contracts.

2.1.2 Incontestability

The concept of incontestability is an important feature in life insurance contracts, and it is designed to provide a degree of certainty and protection for policyholders. Incontestability clauses typically limit the time during which an insurance company can contest the validity of a policy based on certain grounds. The primary purpose is to prevent insurers from challenging claims or voiding policies after an extended period, promoting stability and reliability for policyholders.

Here are the key aspects of incontestability in life insurance:

Incontestability Clause:

Life insurance policies commonly include an incontestability clause, which specifies a certain period during which the insurer cannot contest the policy for any reason other than non-payment of premiums. This period is typically set at two years from the date of policy issuance.

Time Limit for Contestability:

The incontestability period is a defined timeframe during which the insurance company has the right to investigate and challenge the validity of the policy based on misrepresentations or omissions by the policyholder. Once this period expires, the insurer generally loses the right to contest the policy on grounds other than non-payment of premiums.

Grounds for Contestability:

During the contestability period, an insurer can contest a policy if it discovers that the policyholder made material misrepresentations on the application. Material

misrepresentations are significant inaccuracies or omissions that, if known, might have influenced the insurer's decision to issue the policy or determine the premium.

Non-Forfeiture of Benefits:

After the incontestability period expires, the policy becomes incontestable, meaning that the insurer cannot contest the policy's validity based on any misrepresentations made by the policyholder during the application process. This provides a level of security for the policyholder, ensuring that the death benefit has been paid as specified in the policy.

Exceptions:

While incontestability generally prevents insurers from challenging the policy, there are exceptions. For instance, if the policyholder commits fraud or if the cause of death falls within a specific exclusion (such as suicide within the first two years), the insurer may still have grounds to deny a claim.

Consumer Protection:

Incontestability provisions are seen as a consumer protection measure, providing policyholders with greater certainty and peace of mind regarding the stability of their life insurance coverage.

Legal Framework:

In many jurisdictions, insurance laws and regulations stipulate the maximum duration of the incontestability period. The specific rules and requirements may vary from one jurisdiction to another. It's important for policyholders to be aware of the incontestability clause in their life insurance policies and understand the implications it has on the insurer's ability to challenge the policy's validity over time.

2.1.3 The Resource-Based View (RBV)

The Resource-Based View (RBV) is a strategic management theory that focuses on the internal resources and capabilities of a firm as key sources of competitive advantage and sustained profitability. The RBV emerged in the 1980s and 1990s as a response to the limitations of external, industry-based analyses in explaining why some firms outperform others. The central idea behind RBV is that not all resources are created equal, and firms can gain a competitive edge through the possession and strategic deployment of valuable, rare, inimitable, and non-substitutable resources.

Key concepts and principles of the Resource-Based View include:

Tangible and Intangible Resources:

Resources, as defined in the RBV, can be either tangible or intangible. Tangible resources include physical assets like machinery and facilities, while intangible resources encompass factors such as intellectual property, brand reputation, and organizational culture. The RBV emphasizes that both types of resources can contribute to a firm's competitive advantage.

Core Competencies:

The concept of core competencies, introduced by Gary Hamel and C.K. Prahalad, aligns closely with the RBV. Core competencies are unique capabilities that enable a firm to outperform its rivals. These competencies often involve a combination of resources, skills, and technologies that are central to a firm's strategic activities.

VRIN Framework:

The RBV introduced the VRIN framework to assess the potential of resources to provide a sustained competitive advantage. VRIN stands for Valuable, Rare, Inimitable, and Non-substitutable. A resource must possess all four characteristics to be considered a source of sustainable competitive advantage according to the RBV.

Dynamic Resource Configurations:

In dynamic environments, firms need to adapt their resource configurations over time. This requires the ability to identify emerging opportunities, respond to market changes, and reconfigure resources dynamically. The RBV emphasizes that a firm's competitive advantage is not static and requires ongoing strategic management.

Resource Development and Investment:

RBV suggests that firms should actively invest in developing and acquiring resources that align with their strategic objectives. This can involve investments in research and development, talent management, technology adoption, and other activities that enhance the firm's resource base.

Competitive Imitation and Substitution:

The RBV recognizes that, over time, competitors may try to imitate or substitute valuable resources. Therefore, firms need to be vigilant and continuously seek ways to

protect their competitive advantage. This can involve legal protection of intellectual property, building complementary capabilities, or innovating faster than competitors.

Combining RBV with Other Strategic Approaches:

While the RBV focuses on internal resources, it is often integrated with other strategic approaches. For example, combining RBV with Porter's Five Forces framework helps organizations understand both internal and external factors influencing profitability.

Empirical Research:

The RBV has been subject to empirical testing and validation. Researchers have explored the relationship between firm resources and performance across various industries to provide evidence for the RBV's propositions.

Strategic Management Implications:

In practice, firms applying the RBV may conduct internal audits to identify and evaluate their key resources and capabilities. This assessment informs strategic decision-making, including choices related to product development, market entry, and competitive positioning.

Global Application:

The RBV is not limited to a specific industry or geographic context. It has been applied globally, helping firms understand how their resource configurations can provide a competitive advantage in diverse markets. The Resource-Based View provides a valuable perspective on how internal resources and capabilities can shape a firm's competitive advantage and profitability. It encourages a strategic focus on building and leveraging unique and valuable assets to achieve sustained success in dynamic and competitive business environments.

2.1.4 The Resource-Based View (RBV

Agency Theory is a branch of economic and organizational theory that explores the relationship between principals (owners) and agents (managers or employees) within an organization. The theory seeks to understand and address conflicts of interest that may arise when the interests of the principal and the agent diverge. These conflicts can lead to what is known as "agency problems," where agents may not always act in the best interest of the principals.

Key concepts and principles of Agency Theory include:

Principal-Agent Relationship:

The principal-agent relationship is at the core of Agency Theory. The principal is the party who delegates authority to the agent to act on their behalf. The agent, in turn, is entrusted with certain responsibilities and decision-making authority.

Information Asymmetry:

One of the central issues in agency relationships is information asymmetry, where the principal may not have complete information about the agent's actions, efforts, or the outcomes of those actions. This information asymmetry can lead to difficulties in monitoring and evaluating the agent's performance.

Moral Hazard:

Moral hazard arises when the agent has the incentive to take risks or shirk responsibilities because the consequences of their actions may not be fully borne by them. This can occur when the agent is not the residual claimant of the outcomes of their decisions.

Adverse Selection:

Adverse selection occurs when the principal has incomplete information about the agent's characteristics or abilities at the time of hiring or delegation. This can lead to the selection of agents who are not the best fit for the principal's objectives.

Monitoring and Control Mechanisms:

To mitigate agency problems, principals implement monitoring and control mechanisms. These mechanisms can include performance evaluations, incentive systems, contracts, and other tools to align the interests of the agent with those of the principal.

Agency Costs:

Agency costs refer to the various direct and indirect costs associated with managing the agency relationship. These costs include monitoring costs, bonding costs (efforts to align interests), and residual loss (the difference between optimal and actual outcomes).

Contractual Arrangements:

Contracts are often used to specify the terms and conditions of the agency relationship. These contracts can include provisions related to performance metrics, compensation structures, and mechanisms to address unforeseen contingencies.

Incentive Alignment:

Designing effective incentive structures is crucial in Agency Theory. Principals seek to align the interests of agents with their own by providing incentives that encourage desired behaviors and outcomes. Incentives can take the form of bonuses, stock options, profit-sharing, or other performance-based rewards.

The Role of Corporate Governance:

Corporate governance mechanisms, such as boards of directors, play a critical role in mitigating agency problems. Effective corporate governance structures are designed to ensure accountability, transparency, and alignment of interests between shareholders and managers.

Empirical Applications:

Agency Theory has been widely applied in various fields, including finance, management, and economics. Researchers use the theory to analyze and understand issues such as executive compensation, organizational structure, and the impact of governance mechanisms on firm performance.

In summary, Agency Theory provides a framework for understanding the challenges and solutions related to the delegation of decision-making authority within organizations. It is particularly relevant in contexts where there is a separation between ownership and control, such as in publicly traded corporations. The theory helps identify strategies for reducing conflicts of interest and ensuring that agents act in the best interests of the principals. Similarly, Agency Theory provides a framework for understanding and addressing the challenges that arise when individuals or entities delegate decision-making authority. By identifying and addressing issues related to information asymmetry, moral hazard, and adverse selection, organizations can implement strategies to align the interests of principals and agents and enhance overall organizational performance.

2.2 Review of related studies

Numerous research projects have been carried out about insurance businesses. Only a small number of them have anything to do with the insurance company' investment division. Despite the fact that the insurance business has seen a great deal of research, this analysis did not turn up any studies regarding the connection between investment and profitability. Below is a compilation of the most important papers written about this topic.

Using a sample of 20 insurance businesses, Dhiab (2021) investigated the factors influencing the profitability of insurance firms in the Saudi insurance market between 2009 and 2017. The results indicate that the primary elements favorably impacting the profitability of Saudi insurance businesses are the growth rate of written premium, the fixed-assets ratio, and the tangibility ratio. Furthermore, although having a positive correlation with profitability, the liquidity ratio and firm size do not have a statistically significant effect. Conversely, the profitability of Saudi insurance businesses is negatively impacted by the loss ratio, liabilities ratio, insurance leverage ratio, and, to a lesser extent, the company age.

Ghimire (2021) examined the structure of investment portfolios and the investment strategies used by life and non-life insurance businesses, comparing their current state to regulatory standards. The results showed that fixed deposit investments were given top priority by insurance providers. More than 70% of all investments are made up of bank deposits, which are followed, in that order, by government securities, preference shares, debentures, and other sectors. The insurance business ventured into the most secure industry. Additionally, he made the case that prudential oversight applies to financial organizations on an equal footing with banks. The regulatory body is able to impose restrictions, but they are also responsible for keeping an eye on and overseeing enterprises to ensure that the regulations are being implemented appropriately. Serious rules breaches are subject to punishment, but before pursuing harsh legal action, authorities must set up an early warning system that allows for preventative action to be taken.

Kharel (2021) used premium and investment data to investigate the insurance industry's role in Nepal's economic development. The results showed that both the quantity of insurance premiums collected and their contribution to GDP had been rising continuously. The insurers have begun to allocate their investable capital to long-term projects. Government securities include, but are not limited to, bonds, debentures, shares, fixed deposits with banks and financial institutions, and loans backed by insurance policies. The investable funds of life and non-life insurance companies have been rising significantly. The role that insurance plays in economic growth has been addressed. The insurance industry has significantly boosted economic growth through effective resource allocation, risk management, and long-term savings mobilization. However, for the industry to meet its goals, it must operate on a stable financial basis.

Marjanovic and Popovic (2021) examined the variables affecting the Republic of Serbia's insurance businesses' profitability from 2006 to 2016. The regression result indicates that leverage and size have significant with profitability. The authors conclude that certain characteristics of a corporation, such as its age, capital adequacy, investment performance, and market share, have statistically significant effects on the firm's success as measured by the ROA. Therefore, in the context of the global market, financial leverage and scale are the primary drivers of insurance businesses' profitability.

According to Senol, Zeren, and Canakci (2020), the insurance industry plays a number of significant roles in the economic structure, including managing premium collections by using the financial institution role, transferring premiums into productive areas, and providing insurance through the premiums collected by insurance companies against the risks to the economic structure. The insurance industry not only keeps up its operations but also contributes to economic growth. The study used data from 36 nations between the years of 1985 and 2018 to investigate the link between the insurance industry and economic development. According to the findings of the panel causality test, which was developed by Dumitrescu and Hurlin (2012), there is a one-way causal relationship from economic growth to the life insurance industry as well as a reciprocal causal relationship between the two. These

findings led to the conclusion that, because to the long-term and consistent resources it offers, the life insurance industry contributes more to economic growth than other industries.

According to Vasavi and Reddy (2020), ICICI Life and SBI Life's profitability and earnings performance differ significantly. For two of the three parameters that were chosen for the research, ICICI Life has done better than SBI Life. ICICI has shown itself to be a more profitable insurer by having higher mean values for the return on equity and income on investments ratios. Even while ICICI Life outperformed SBI Life in keeping its higher investment income ratio throughout the research period, it is clear from the company's performance that its investment income ratio has been steadily declining. Thus, in order to stop the ratio's decline, ICICI Life must take quick remedial action. As evidenced by an exceptional performance in the year 2017–18, SBI Life underperforms ICICI Life in the return on equity ratio up till 2016–17. Despite having a low expense ratio, SBI Life has to examine its investment approach and portfolio in order to generate significant returns and compete with ICICI Life.

Strong foundations for guiding policy in the areas of risk management and good governance in the life insurance market were evaluated by Koju, Subedi, and Koju (2020). Additionally, it provides a more comprehensive view of the Nepalese life insurance market in terms of death benefit, surrender rate, revival rate, net worth, life fund, total premium revenue, and initial premium income. Concerned parties can use the data to develop strategies for profitable investments and efficient operations in the life insurance industry. Additionally, it adds value to the supervisors' risk-based supervision and helps them identify the risk factor linked to the life insurance industry's surrender and lapse rates. Profitability (ROE) is the dependent variable, whereas size, leverage, and costs ratio are the independent factors. The results of the regression showed that size and leverage had a substantial impact on profitability. Thus, in the context of Nepal, the two main factors influencing the profitability of insurance businesses are their size and financial leverage.

The contribution income component, which is the primary driver of corporate profit, has a partial impact on the profit of Islamic life insurance, according to Nainggolan and Soemitra (2020). The more the contribution income acquired, the greater the

profit rise. A sufficient contribution income must be generated in addition to a profit; ideally, a low profit signals a weak premium income. As a result, choosing the appropriate participation fee or contribution level is crucial to both the participants' and the company's sustainability.

Bhattarai (2020) looked at how capital structure affected Nepali insurance firms' profitability. Information was gathered from the websites of the corresponding insurance firms' annual reports. 14 Nepalese insurance firms' panel data from 2007 to 2016 yielded 126 observations in total. A fixed effect model, a random effect model, and a pooled OLS model were used to analyze the data. Regression modeling has been used in the study's descriptive and causal research approaches. The dependent variable in this study is return on assets, whereas the independent factors are company size, leverage, equity to total assets, liquidity ratio, and assets tangibility. The findings indicated that the profitability of Nepalese insurance firms' cases is influenced by equity to total assets, leverage, and asset tangibility.

The effect of firm-specific variables on the financial performance of life insurance businesses in Nepal was investigated by Hamal (2020). Regression modeling has been used in the study's descriptive and causal research approaches. The 2009–2019 period is covered by the ten-year panel secondary data. The study comes to the conclusion that business size and long-term investment have the greatest impact on the financial success of Nepalese life insurance firms. In a similar vein, excessive long-term investment spending should be carefully evaluated as it may negatively impact life insurance businesses' future profitability. Life insurance firms should only grow in size after carefully assessing their financial performance, as doing so may lead to scale-related diseconomies and lower company profitability. Moreover, it comes to the conclusion that Nepalese life insurance businesses' financial performance declines somewhat when their short-term debt and years of operation rise. Therefore, the firms should concentrate on managing their whole asset, long-term investment, current assets, and current liabilities in order to maximize profit. According to the analysis, life insurance firms operating in Nepal stand to gain more from maintaining liquid assets.

In 2019, Black, Matthews, and Millington looked at how well-understood the difficulties encountered by TPD applicants were. Interviewees revealed structural flaws in the claims procedure even after obtaining a favorable claim decision. The majority of respondents expressed feelings of fear and frustration as a result of incomplete information. The capacity of the respondents to operate during a crucial period of their life was further compromised by process inadequacies. Even though every subject voiced anxiety about their health and future, many of them still stated a desire to work. Three goals would be achieved if insurers and superannuation funds used a person-centered approach. Initially, it would make claimants' management of their claims easier. Second, it would help claimants, especially in areas like employment and money management. Disability is validated at a critical point in the claims process by empowering the claimant as a partner. The profitability of life insurance is significantly positively impacted by the sizes of life insurance companies. The performance of life insurance companies in Nepal is not affected by changes in liquidity. The financial performance of the life insurance companies with more leverage has been poorer. The report goes on to say that life insurance companies' return on assets (ROA) will remain same notwithstanding changes in net premium and benefits paid. In the Nepalese environment, the primary determinants influencing the financial performance of life insurance companies are leverage and the dimensions of non-depository financial institutions (Risal, 2019).

Mogro and Barrezueta (2019) conducted a study on the factors influencing insurance companies' profitability in Ecuador from 2001 to 2017. This is the first time this type of research has been done in a dollarized emerging nation. Add the ES hypothesis, which is determined by data envelopment analysis, and the structure-conduct-performance and relative market power paradigms to the list of factors influencing insurance profitability. Additionally, present actual data demonstrating the impacts of several industry-related, macroeconomic, and microeconomic variables on profitability in the life and life insurance markets.

According to Batool and Sahi (2019), a company's profitability is directly correlated with its financial success. The firm's financial performance may also be evaluated using other metrics, such as return on equity, return on asset, and gross margin rate.

Researchers, financial specialists, and other corporate managers will pay close attention to a company's financial success.

Poudel (2019) investigated the relationship between ownership and a number of firm-specific variables and insurance company profitability. The results of the investigation showed that return on asset (ROA) is negatively correlated with tangibility and liquidity. Conversely, there was a positive association between firm size, age, and leverage. In a similar vein, the study discovered a positive association between firm size, age, debt, and tangibility, and a negative correlation between liquidity and return on equity. Regression analysis conducted for the study indicates that the primary factor determining the profitability of insurance companies is firm size.

Joo and Hussain (2019) looked at the variables influencing the profitability of Indian life insurance providers. Between 2005 and 2015, secondary data for the ten-year panel were gathered. The results show that tangibility and growth have a significant role in determining profitability as measured by ROA. On the other hand, size, commission ratio, and leverage have no effect on profitability as determined by ROA. Global media coverage of studies on the factors influencing insurance business profitability has been extensive. There is disagreement, although, about the variables that affect profitability, as the previously described research demonstrates. The affecting factors might vary due to the diversity of financial institutions among nations.

According to Afolabi's (2018) analysis, increasing claims payments are just one of the numerous factors affecting the insurance industry's pofitability. In order to decrease the number of claims for each premium generated, claims administrators in the Nigerian insurance sector must efficiently manage their claims procedures. Furthermore, additional administrative expenses that might lower the company's profit margin, including the underwriting cost, must also be carefully considered.

Hailu (2018) investigated how investments affected Ethiopian life insurance firms' financial results. Eleven years of data from nine carefully chosen insurance firms in Ethiopia between 2006 and 2016 were used in the study. The process involved building a random effect (RE) model and a balanced panel regression model using

secondary data taken from the audited annual reports of a sample of Ethiopian insurance companies. The overall outcome of the regression model shows that investment affects Ethiopian insurance firms' performance. Return on asset served as the dependent variable for evaluating insurance performance, and four independent variables—equity investment, fixed asset investment, fixed-term deposit, and government securities—were employed in the study to accomplish its goals. As a control variable, insurance size and liquidity ratio were also considered. According to the regression analysis, the performance of insurance businesses was positively and significantly impacted by government securities, fixed asset investments, insurance size, and liquidity ratio. A fixed-term deposit has a somewhat favorable impact on insurance businesses' performance. Equity investments have a little and unfavorable impact on insurance businesses' profitability.

Shahi (2018) conducted research on the non-life insurance firms' investment patterns and premium collection in Nepal. Both primary and secondary sources of data are used in this investigation. When needed, financial, statistical, and mathematical techniques have been used to process and analyze the data in a descriptive manner. The findings suggest that insurance companies allocate their capital to a limited number of businesses. They view savings accounts and fixed deposits as risk-free and secure investment options. The net returns of certain insurance companies are less than the interest they get on their deposits. In a similar vein, insurance firms' EPS are inadequate when compared to those of banks and other financial institutions. Some insurance businesses' income is even lower than that of fixed deposit interest.

Alqadi (2017) investigated how investment portfolio attractiveness affected the profitability of commercial banks. The research has yielded the following findings: utility value, risk aversion, portfolio return, and portfolio risk all have an impact on the return on equity as well as the return on investment. There is a positive relationship between cash flow and a company's investments; investment in intangible assets, corporate performance (as measured by current ratio, return on assets ROA, asset turnover), and financial policy (as measured by debt to equity ratio and dividend ratio) all have a significant impact on the market value of corporations. Additionally, some results indicated that an insurance company's investment in the amount of

premiums accumulated results in significant financial returns that strengthen the company's financial position and increase the company's ability to reduce various costs, which increases the possibility of lowering the insurance premium, which represents the price of insurance and puts the insurance company in a strong competitive position in the market.

Iregi (2017) investigated the connection between investing tactics and earnings in Kenya's insurance sector. A descriptive survey research approach was used in the study. This study made use of secondary data from the financial accounts as well as primary data from the research instrument respondents. Half of the population was included in the study's sample. 22 insurance businesses came from this. A questionnaire with both closed-ended and open-ended questions was used to gather both qualitative and quantitative data. The Statistical Package for Social Sciences was used to analyze the data, and frequency tables were created to display the results and illustrate how the respondents answered the different questions. The study found that the profitability, return on assets (ROA), and return on equity (ROE) of insurance businesses are positively and significantly correlated with their investment methods. It was found, in particular, that passive strategies outperform active techniques in terms of profitability. The findings suggest that insurance companies diversify by investing in local and foreign stocks, bonds, cash equivalents, and shares in associates and subsidiaries. Their portfolio, however, does not contain a sizable amount of assets in real estate, futures, or options; this might be due to the insurance businesses' adherence to the regulatory structure that oversees the industry. The survey also finds that both active and passive investing methods are used by Kenyan insurance companies. A value approach, an aggressive strategy, and a moderate risk investment plan are among the active strategies now in use. Two of the passive techniques were a high risk aversion approach and a conservative investing strategy. It was found, in particular, that passive strategies outperform active techniques in terms of profitability.

Hussain (2016) investigated the key factors influencing long-term investments in India's non-life insurance sector. Nineteen non-life insurance businesses' annual financial statements from 2011 to 2015 were chosen, and panel regression was used

for analysis. The results show that large, successful, and highly liquid insurance businesses have made more long-term investments than small, profitable, and less liquid ones. This is to be anticipated. Additionally, the analysis reveals that insurance businesses with greater leveraged and risk retention ratios have made less long-term investments than those with lower leverage and risk retention ratios.

Dhakal (2015) conducted research on investing practices and policies. The purpose of this study was to identify the most popular products for insurance firms to invest the premiums they earn. This research included primary as well as secondary sources of data. Six years, from 2008 to 2014, were covered. Dhakal employed cash flow, correlation, standard deviation, ratio analysis, and other statistical and financial techniques. The head securities and bank fixed deposit sectors of the life and non-life insurance industries were identified to be the primary investment destinations. The mandatory sector's portfolio has a steady rate of return. On the other hand, the policy loan yielded the lowest return, while the average return on stocks was the greatest. For life insurers, the industry's net investment income accounted for around 75% of net premium collection, but for non-life insurers, it was approximately 25% of net premium collection.

Njiiri (2015) investigated how investments affected insurance businesses' financial performance in Kenya and discovered that insurer investments had a favorable and substantial effect on financial performance. According to the study's further findings, real estate investments had the most influence, followed by bank deposits and government securities. Njiiri reasoned that the comparatively low returns and smaller percentages invested in stocks and corporate bonds explained the relatively modest contribution from these asset types.

A comparative analysis of premium collecting and investing patterns was conducted by Khadka (2013). The data used in this study came from primary as well as secondary sources. The study was carried out between 2006 and 2012. Determining the extent to which different insurance premiums have been appropriately collected and invested is the study's main goal. The study indicates that there has been variability in the premium collection rates within the insurance sector in Nepal. The insurance industry has not incorporated investment allocations from different

investment areas and portfolios. The correlation coefficient between premium and investment in the insurance sector of Nepal is quite high and shows a strong link.

Nyanduko (2013) conducted research on the relationship between investments and Kenyan insurance firms' financial success. The study's objective was to ascertain whether investments made by insurance companies and financial performance in Kenya are related. 45 Kenyan insurance firms are the study's target population. From the general public, 32 insurance companies provided secondary data. For this investigation, she used regression and correlation analysis. Because the factors have a significant influence on financial performance, the findings show that investments in real estate, certificates of deposit, government securities, corporate bonds, and stocks have a significant impact on the financial performance of insurance companies.

The Ghanaian life insurance industry's profitability factors were determined by Joseph (2013). The three measures of an insurer's profitability—investment income, underwriting profit, and overall (total) net profit—are also correlated in this study. Over an eleven-year period from 2000 to 2010, the financial records of ten life insurance businesses were gathered and subjected to panel regression analysis. The data indicates that while gross written premiums are positively correlated with sales profitability for an insurer, they are negatively correlated with investment income. In addition, the results showed that price undercutting and overtrading had caused substantial underwriting losses for life insurers. In terms of increasing the total profitability of life insurers, the results also showed that underwriting profit and investment income had a setting-off connection rather than a complementing one.

Panda (2013) examined the risk-taking capacity of LIC of India's investments across a range of market areas. To maintain current and prior years' data, the study employed autocorrelation through linear trend analysis in the segment-wise investment analysis using Box Ljung statistics. The study's conclusions showed that while investments in housing and infrastructure alone did not significantly grow, trends in the G-securities segment, S-securities plus housing/infrastructure, business sector, and project loan sectors all showed considerable increases.

For a sample of all 23 Indian life insurers—22 private and one public—Charumathi (2012) investigated the factors influencing their profitability. Six independent variables are examined: capital, underwriting risk, leverage, size, liquidity, and premium growth. The research indicates that life insurers' size and liquidity positively and significantly affect their profitability. Debt, premium growth, and the rise in equity capital have all affected the profitability of Indian life insurers; however, there is little evidence that underwriting risk is correlated with profitability.

Table 1

Meta-Analysis Table

Author	Objectives	Methodology	Findings
Dhiab (2021)	To determine whether CG practices influence firms' performance and whether sustainability initiative (SI) mediates the relationship between CG and MSFs' performance in Nigeria	A structured questionnaire administered on 300 firms from South Western Nigeria; covariance-based structural equation modelling	CG has a significant positive effect on performance and SI; SI has a mixed impact on performance and a combined mediating effect in the relationship between CG and performance
Ghimire (2021)	To analyze current status of investment portfolio structure and investment practices adopted by both	A descriptive study based on secondary data from annual reports of insurance companies	Insurance companies prioritized investing in fixed deposits; bank deposits account for more than 70% of total investment, followed by government securities, preference shares, debentures, and other sectors;

	life and non-life insurance companies and compare it with norms of directives		prudential supervision is important for financial institutions
Kharel (2021)	To examine the contribution of insurance industries in economic growth of Nepal using premium and investment	A descriptive study based on secondary data from insurance board of Nepal and Nepal Rastra Bank	The amount of insurance premium collected has been steadily increasing, and so has the contribution of insurance premium to GDP; insurers have started putting their investable funds into long-term investments; insurance plays an important part in economic development
Marjanovic and Popovic (2021)	To examine the factors influencing the profitability of insurance companies in the Republic of Serbia	A panel data analysis of 14 insurance companies between 2006 and 2016	Some features of a corporation, such as its age, capital adequacy, investment performance, and market share, have statistically significant effects on the firm's success as evaluated by the ROA; leverage and size have significant with profitability
Senol, Zeren and Canakci (2020)	To study the relationship between insurance business and economic	A panel causality test introduced by Dumitrescu and Hurlin (2012)	There is a mutual causality between life insurance business and economic growth and a one-way causality from economic growth to the life insurance

	growth in 36 countries from 1985 to 2018		business
Vasavi and Reddy (2020)	To compare the earnings and profitability performance of ICICI Life and SBI Life	A descriptive study based on secondary data from annual reports of the two insurance companies	ICICI Life has outperformed SBI Life in the case of two indicators: income on investments ratio and the return on equity ratio; SBI Life has the advantage of maintaining a low expense ratio
Koju, Subedi and Koju (2020)	To examine the contribution of insurance industries in economic growth of Nepal using premium and investment	A descriptive study based on secondary data from insurance board of Nepal and Nepal Rastra Bank	The amount of insurance premium collected has been steadily increasing, and so has the contribution of insurance premium to GDP; insurers have started putting their investable funds into long-term investments; insurance plays an important part in economic development
Nainggolan and Soemitra (2020)	To examine the effect of contribution income factor on the profit of Islamic life insurance	A quantitative study based on primary data from questionnaires distributed to 100 participants of Islamic life insurance	Contribution income factor has a partial effect on the profit of Islamic life insurance; the higher the contribution income obtained, it has affect the increase in profit
Bhattarai (2020)	To examine the effects of capital	A panel data analysis of 14	Equity to total assets, leverage, and assets

	structure on profitability of insurance companies in Nepal	Nepalese insurance companies from 2007 to 2016	tangibility effects the profitability in Nepalese insurance companies' cases
Hamal (2020)	To study the impact of firm specific factors on financial performance of life insurance companies in Nepal	A descriptive and causal research design using regression model	The most influencing factors for the financial performance in Nepalese life insurance companies are firm size and long-term investment
Black, Matthews and Millington (2019)	To examine the challenges faced by TPD claimants and the systemic shortcomings in the claims process	A qualitative study based on interviews with 20 TPD claimants	Frustration and anxiety arising from insufficient information, process flaws, and uncertainty about health and future were experienced by most interviewees; a person-centered approach adopted by superannuation funds and insurers would help claimants manage their claims more easily, provide support, and affirm disability
Risal (2019)	To investigate the determinants of financial performance of life insurance companies in Nepal	A descriptive study based on secondary data from annual reports of 19 life insurance companies	The sizes of the life insurance companies have significant positive impact on profitability; the liquidity fluctuations and benefits paid and net premium have no impact on profitability; the leverage has negative impact

			on profitability
Batool and Sahi (2019)	To reveal the financial performance of any firm related to its profitability	A descriptive study based on secondary data from annual reports of different firms	Financial performance of the firm can be measured by gross margin rate, return on asset and return on equity
Poudel (2019)	To study the effect of ownership and firm-specific factors on profitability of insurance companies in Nepal	A panel data analysis of 19 insurance companies from 2009 to 2019	Tangibility and liquidity have a negative relationship with ROA; firm size, age, and leverage have a positive relationship with ROA; liquidity has a negative relationship with ROE; firm size, age, leverage, and tangibility have a positive relationship with ROE
Joo and Hussain (2019)	To investigate the factors that impact on profitability of life insurance companies in India	A panel data analysis of 24 life insurance companies from 2005 to 2015	Growth and tangibility are important factors in determining profitability as evaluated by ROA; leverage, commission ratio, and scale have no bearing on profitability as assessed by ROA
Afolabi (2018)	To analyze the profitability in the insurance industry and the factors that affect it	A descriptive study based on secondary data from various sources	Profitability in the insurance industry is affected by rising claims payments, administrative costs, underwriting cost, and other factors; claims managers need to effectively manage their claims processes and

			reduce the number of claims for every earned premium
Hailu (2018)	To study the effect of investment on financial performance of life insurance companies in Ethiopia	A panel data analysis of nine insurance companies from 2006 to 2016	Investment has an effect on performance of insurance companies in Ethiopia; government securities, fixed asset investment, insurance size and liquidity ratio had a positive and significant effect on performance; fixed time deposit had positive but insignificant effect on performance; equity investment had negative and insignificant effect on performance
Shahi (2018)	To study the premium collection and investment pattern of non-life insurance companies in Nepal	A descriptive study based on secondary data from annual reports of insurance companies	Insurance companies invest their funds in only a few industries; they consider fixed deposits and savings funds as safe and risk-free investments; some insurance businesses' net returns are lower than the interest earned on their deposits; EPS of insurance companies are not satisfactory
Alqadi (2017)	To study the impact of investment portfolio attractiveness on-commercial	A descriptive study based on secondary data from various sources	Investment in intangible assets, corporate performance, and financial policy have significant effect on the market value of the corporations; cash flow and

	banks profitability		firms investments have a positive relationship; investment of the insurance company for the amounts of premiums accumulated leads to significant financial returns
Iregi (2017)	To study the relationship between investment strategies and profitability in the insurance industry in Kenya	A descriptive survey research design using primary and secondary data; regression analysis	There is a positive and significant relationship between investment strategies and profitability, ROA and ROE of insurance companies; passive strategies are more superior to active strategies as they enhance profitability; insurance firms invest in local stocks, international equity, cash equivalents, bonds and investment in associates and subsidiaries in an effort to diversify
Hussain (2016)	To study the major determinants of long-term investment of the non-life insurance industry of India	A panel data analysis of 19 non-life insurance companies from 2011 to 2015	Highly liquid, highly profitable and large size insurance companies have invested more in long term than lowly liquid, lowly profitable and small size companies; insurance companies with higher risk retention ratio and higher leveraged ratio have invested less in long term
Dhakal (2015)	To study the investment	A descriptive study based on	The majority of investment was in the head securities and

	policies and practices of insurance companies in Nepal	secondary data from annual reports of insurance companies	bank fixed deposit sectors; the return on securities was the highest on average, while the return on the policy loan was the lowest; the net investment income for life insurers was roughly three-quarters of the net premium collection, while for non-life insurers it was around two-fifths
Njiiri (2015)	To explore the influence of investments on the financial performance of insurance companies in Kenya	A descriptive and causal research design using regression model	Investments made by insurer has a positive and significant impact on finance performance; investment in real estate had the greatest impact, followed by government securities and bank deposits; equities and corporate bonds had relatively weak contribution
Khadka (2013)	To perform a comparative study on premium collection and investment pattern of insurance companies in Nepal	A descriptive study based on secondary data from annual reports of insurance companies	Premium collection rates in the Nepalese insurance industry have been fluctuating; investment proportions from various investment sectors and portfolios have not been included by the insurance industry; the coefficient of correlation between premium and investment is very high and has a significant

			relationship
Nyanduko (2013)	To study the relation between investment and financial performance of insurance companies in Kenya	A descriptive study based on secondary data from 32 insurance companies	Investments in real estate, certificates of deposit, government securities, corporate bonds, and stocks have a significant effect on insurance company financial performance
Joseph (2013)	To identify the determinants of profitability in the life insurance industry of Ghana and the correlation between investment income, underwriting profit, and overall net profit	A panel data analysis of 10 life insurance companies from 2000 to 2010	Gross written premiums have a positive association with underwriting profit, but a negative relationship with investment income; life insurers have been suffering significant underwriting losses; there is a setting-off rather than a complementing relationship between underwriting profit and investment income
Panda (2013)	To analyse the investment pattern of LIC of India and its risk taking ability while investing in different segments	A descriptive study based on secondary data from annual reports of LIC of India	There is a large increase in trends in the G- securities segment, S-securities plus housing/infrastructure, business sector, and project loan segments; investment in housing and infrastructure alone showed no significant increase
Charumathi	To study the	A descriptive	Size and liquidity of life

(2012)	determinants of profitability of Indian Life Insurers for a sample of all the 23 Indian life insurers	study based on secondary data from annual reports of insurance companies	insurers have a positive and significant impact on profitability; debt, premium growth, and the increase of equity capital have a negative impact on profitability; underwriting risk is not related to profitability

2.3 Research gap

There is long gap between the previous works and this study. This study studies four life insurance companies and ten years' data, which are selected different from previous researchers. They did not focus on comparable tools likes ROE but this study use ROE. Previous studies focused on premium collection and investment patterns while this study based on investment policy of life insurance companies only. Previous studies used only financial tools and ignored statistical tools but this study used both financial and statistical tools. Previous studies were based on descriptive way only but this study used descriptive and analytical basis. Therefore, there is a research gap, as no previous studies examined short-term and long-term investment and profitability measured in terms of ROE, and more so on in Nepalese insurance sector.

CHAPTER III

RESEARCH METHODOLOGY

The research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a research topic. Research methodology sets out overall plan associated with a study. It provides a basic framework on which the study is based. Before presenting the analysis and interpretation of data, it is necessary that research methodology be described first.

3.1 Research design

This study has been based upon descriptive research design and causal comparative research design to deal with issues associated with the effect of claim paid on profitability in Life Insurance Companies. A research design is a framework that guides the research work and provides the specific type of information to be collected, its sources and collection procedure. This study adopts descriptive research design for fact-finding and searching adequate information about factors affecting performance. A descriptive research design can use a wide variety of research methods to investigate one or more variables. Unlike in experimental research, the researcher does not control or manipulate any of the variables, but only observes and measures (McCombes, 2020).

This study has also been based on causal comparative research design that helps to investigate the possible causes and effect relationship between various dependent and the independent variables. The casual comparative research design has also be used in order to determine the effect of return on assets, return on equity, earnings per share, net profit on claim pain in Nepalese Life Insurance Companies.

3.2 Population and sample

Currently, there are 19 life insurance companies listed in Nepal that are actively conducting business till June, 2024. For the purpose of research, five of these listed companies has been selected. The chosen entities are Nepal Life Insurance Company, Gurans Life Insurance Company, Asian Life Insurance Company, LIC Nepal, and Surya Life Insurance. The ten years data from 2013/14 to 2022/23 has been taken from the respective insurance companies annual reports.

The judgmental sampling method has been incorporated for the selection of five sample companies for this study. These five companies have purposively been selected to achieve the objective and answer the research questions. The chances of selection of Life Insurance Companies are equal. These five sample insurance companies have been selected on the basis of rapidly growing in terms of branches and paid up capital.

3.3 Nature and sources of data, and the instrument of data collection

In this research, secondary data has been used. The ten fiscal year data has been incorporated, from 2013/14 to 2022/23, in this study. The study has been based on secondary data collection technique. In secondary data information is already available that gathered or publish by the financial institution, organization or the researcher. The secondary data includes magazines, newspapers, books, journals etc. It may be either published data or unpublished data.

The data of this study is collected from secondary source. After then, the data has been edited, coded, classified, tabulated and presented as mentioned below. The data has been editing, coding, classification, tabulation and presentation.

3.4 Method of analysis

3.4.1 Descriptive analysis

Descriptive statistical tools help to find out the trend of financial position of the sample Life Insurance Companies. It also analyzes the relationship between variables and helps Life Insurance Companies to take appropriate decisions regarding the fulfillment of organization goals. Descriptive analytical tools such as percentage, mean (arithmetic), variance and standard deviation has been used in this research.

Average/ Mean

Arithmetic mean of a given set of observations is their sum divided by the number of observations. In general, if X_1, X_2.....X_n are the given N observations, then their arithmetic mean, denoted by $\overline{X}$ is given by,

$$\overline{X} = \frac{x_1 + x_2 + ... + x_n}{N} = \frac{\sum x}{N}$$

Where, $\sum X$ = Sum of the observations, and N = Number of Years

Standard Deviation

The square root of the total squares of the departures from the mean, measured in deviations, is the standard deviation. As a result, in order to compute the standard deviation, the arithmetic average must first be determined, and then the deviations of each item from the average must be squared. After adding up all of the squared deviations, divide the total by the total number of elements. The standard deviation of the series may be found by taking the square root of the resultant value (Elhance & Agarwal, 2000). The Greek symbol sigma is commonly used to denote the standard deviation. The standard deviation of a set of N observations, denoted by X1, X2,..., Xn, may be found using

$$\sigma = \sqrt{\frac{\sum (X - \overline{X})^2}{N}}$$

$\sum (X - \overline{X}) =$ Sum of the squares of the deviations measured from mean N = Number of Observations

3.4.2 Inferential analysis

Inferential analysis focuses on estimating or hypothesis testing by utilizing the sample alone to draw conclusions about the population, as contrast to data description, which focuses on characterizing the sample data. Formally speaking, this procedure is called inferential statistics. Inferential statistics may be divided into two main categories: parametric and non-parametric. Parametric tests, such as regression and correlation analysis, have been employed in this study.

Coefficient of Correlation (r)

A statistical tool for examining the link between two variables is correlation analysis, which includes a number of methodologies and approaches for determining the strength of the association between the two variables. Understanding the strength and direction of the link between the two variables under investigation is made possible by correlation analysis. It does not, however, consider the cause-and-effect connection between the variables. The following formula is used to calculate the correlation coefficient, or r:

$$r = \frac{N\sum XY - \sum X.\sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum Y)^2}}$$

Regression Analysis

Regression can be literally understood as traveling backward, returning to the average value, or going back in time. The method of examining the relationship between variations in one series and variations in another is called regression analysis. It ascertains the kind and intensity of the correlation between two variables. The estimation of unknown values or the prediction of one variable from the known values of other variables is, thus, known as regression. Simple regression is regression analysis that focuses on just two variables at a time. According to Sharma and Chaudhary (2008), the unknown value that has to be estimated or forecasted by the known value is referred to as the dependent (or regressed or explained) variable. The known value that is utilized for prediction (or estimation) is termed the independent (or regressed, predictor, explanatory) variable.

Multiple Linear Regression Model;

$ROA = \alpha + \beta 1CP + \beta 2LR + \beta 3ER + \beta 4FS + \beta 5IP + e$

$ROE = \alpha + \beta 1CP + \beta 2LR + \beta 3ER + \beta 4FS + \beta 5IP + e$

Where,

α	=	Constant Term
β	=	Coefficient of Independent Variables
NPM	=	Net Profit Margin
ROA	=	Return on Assets
ROE	=	Return on Equity
CP	=	Claim Paid
LR	=	Loss Ratio
ER	=	Expenses Ratio
FS	=	Firms Size
IP	=	Insurance premium
e	=	Error Terms

3.5 Research Framework and Definition of Variables

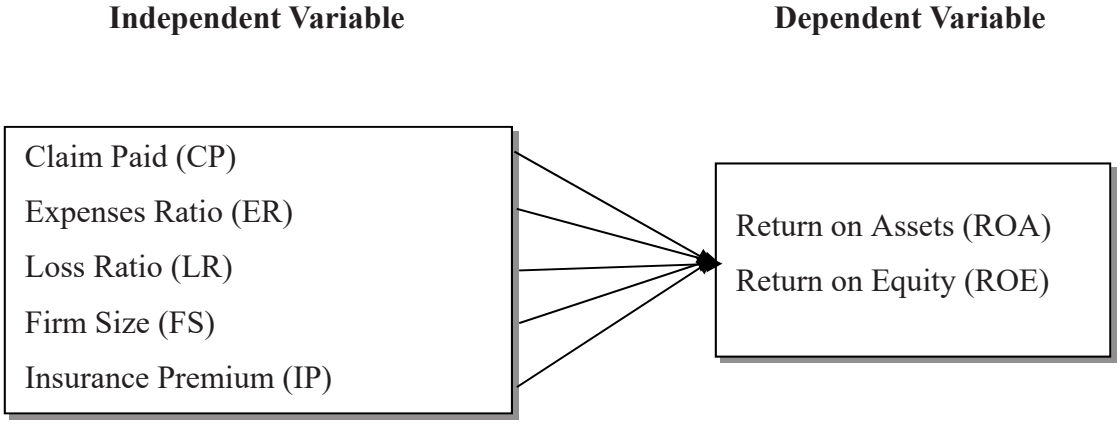

Figure 1 Theoretical Framework

Source: Afolabi (2018)

Dependent Variable

Return on Assets (ROA)

Net income is divided by total assets to determine return on assets (Batoo & Sahi, 2019). This financial ratio assesses the operational efficiency of the business in terms of asset management by capturing its potential to generate profit relative to the total number of assets. Stated differently, it clarifies the extent to which the company is producing profits using the resources at its disposal (Mogro & Barrezueta, 2019).

Return on Equity (ROE)

Return on Equity (ROE) is a financial ratio that measures the profitability of a company by calculating the amount of net income generated as a percentage of the shareholders' equity. In the context of Life Insurance Companies, ROE is a key metric that is used to evaluate the company's ability to generate profits for its shareholders by underwriting policies and investing in the premiums received. According to Investopedia, "Return on Equity (ROE) is a measure of financial performance that calculates the net income returned as a percentage of shareholders' equity" (Investopedia, 2021). ROE is an important indicator of a company's financial health and its ability to generate profits for its shareholders.

In the case of the effect of claim paid on profitability of Life Insurance Companies, ROE is a crucial metric to evaluate the impact of claim payments on the profitability

of the company. A higher claim payout ratio can result in lower net income, which in turn can lead to a lower ROE. Conversely, a lower claim payout ratio can lead to higher net income and a higher ROE.

Independent Variable

Claim Paid

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates the claim (or denies the claim) (Invedopedia, 2020). Claim paid is the benefit and recovered amount paid by the insurance company to their policyholder for the loss or policy event. If claim is approved, then only insurance company has issue payment to the insured or an approved interested party on behalf of the insured.

Loss Ratio

Increasing claims payments is one of the numerous issues affecting the insurance industry's profitability. The capacity of an insurance business to pay claims when they are due is determined by its profitability. This study intends to investigate how Nigerian insurance firms' profitability is impacted by their capacity to pay claims. As a measure of profitability, ROA has a direct link with ER (expense ratio) but an indirect association with LR (loss ratio), according to the study's findings. Furthermore, it has been shown that the loss ratio and net claims have a favorable correlation (Afolabi, 2018).

Expenses Ratio

In the insurance business, the expense ratio is a profitability indicator that is determined by dividing the costs incurred by the insurance firm from the acquisition, underwriting, and maintenance of insurance policies by the net premiums it has received. Profitability (ROA) has a direct link with expense ratio (ER) but an indirect relationship with loss ratio (LR) and net claims (NC). It also shows that the loss ratio is greatly positively impacted by net claims (Afolabi, 2018).

Firms Size

Firm size measured by total assets refers to the value of all assets owned by a company, including tangible assets such as buildings, equipment, and inventory, as well as intangible assets such as patents, trademarks, and goodhas. This metric is commonly used to assess the size and financial strength of a company, with larger total asset values generally indicating a larger and more established business. Total assets can also be used to evaluate a company's risk profile, as a company with a higher asset value may have more resources to weather economic downturns or unexpected expenses. However, it is important to note that total assets alone do not provide a comprehensive view of a company's financial health, and other factors such as profitability, cash flow, and debt levels should also be considered when assessing a company's overall performance.

Insurance Premium

An insurance premium is the amount of money an individual or organization pays to an insurance company in exchange for protection against specified risks. The premium is typically paid annually, semi-annually, or monthly, depending on the terms of the insurance policy. The amount of the premium is determined by several factors, including the type of coverage being purchased, the level of risk associated with the policyholder or insured asset, and the likelihood of the insured event occurring. Insurance premiums are designed to cover the costs of claims made against the policy, as well as administrative expenses and a profit margin for the insurer. By paying a premium, individuals and organizations transfer the financial risk of potential losses to the insurance company, which assumes responsibility for paying out claims up to the limits of the policy.

CHAPTER IV

RESULTS AND DISCUSSION

Through an empirical analysis of the information gathered from the respondents, this chapter seeks to accomplish the study's goals. For the aim of the study, we have gathered various types of data and ratios from the twenty-one insurance companies that have been chosen. Subsequently, information is tallied, scrutinized, and deciphered, and contrasted across the insurance companies in question. The study's methodical and organized findings are presented in this chapter together with interpretations and analyses of secondary data pertaining to a range of topics related to the connection between claim payment and the profitability of insurance companies in Nepal.

4.1 Results

Descriptive Statistics

Table 2 shows the descriptive statistics for dependent and independent variables of selected Nepalese insurance companies for the study period of 2013/14 to 2022/23. The dependent variable is profitability indicator ROA and ROE. Profitability is the ratio of operating expense over operating income, in percentage). The independent variables are CP (Claim paid), ER (Expenses ratio), LR (Loss ratio), IP (Insurance premium) and FS (Firm size is measured be the total assets, Rupees in billion).

Table 2

Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
ROA	.55	2.89	1.6065	.55910
ROE	10.43	32.09	15.7968	4.56010
CP	.73	.92	.8752	.02766
ER	.08	.27	.1248	.02766
LR	3.49	36.21	16.8596	9.74874
IP	.12	5.35	1.4919	1.08420
FS	37.38	419.82	144.5042	74.76104

Valid N (listwise) 50

Table 2 shows descriptive statistics for seven variables related to the insurance companying sector. Return on Assets (ROA) ranges from 0.55 to 2.89, with an average of 1.6065 and a standard deviation of 0.55910. Return on Equity (ROE) varies between 10.43 and 32.09, with a mean of 15.7968 and a standard deviation of 4.56010. The Claim paid (CP) ranges from 0.73 to 0.92, with an average of 0.8752 and a standard deviation of 0.02766. Equity to Total Assets ratio (ER) varies between 0.08 and 0.27, with a mean of 0.1248 and a standard deviation of 0.02766.

Additionally, the dataset includes the Loss ratio (LR), which ranges from 3.49 to 36.21, with an average of 16.8596 and a standard deviation of 9.74874. Furthermore, the dataset contains the Insurance premiums ratio (IP), which ranges from 0.12 to 5.35, with an average of 1.4919 and a standard deviation of 1.08420. Finally, the Firm size (FS) metric spans from 37.38 to 419.82, with an average of 144.5042 and a standard deviation of 74.76104.

4.2 Correlation Analysis

To determine the relationships between the variables, correlation analysis was used. The relationship between the many independent and dependent variables related to the research is ascertained using Pearson's Correlation analysis. Any two variables' linear correlation is measured.

The bivariate Pearson's correlation coefficients between the various research variables are shown in this table. The data from five insurance firms with 50 observations from 2013–14 to 2022–23 is the basis for the correlation coefficients. The dependent variables are profitability (the ratio of operating expenditure to operating income, expressed as a percentage) and return on asset (ROA, which is the ratio of net profit to total assets). The claim paid (CP), expenses ratio (ER), loss ratio (LR), insurance premium (IP), and firm size (FS) are the independent variables. The total assets, expressed in billions of rupees, are used to quantify firm size.

Table 3

Correlation Analysis

	ROA	ROE	CP	ER	LR	IP	FS
ROA	1						
ROE	.091	1					
CP	-.171	-.241*	1				
ER	.170	.241*	-1.000**	1			
LR	.220*	.104	-.040	.040	1		
IP	.214	.357**	-.495**	.495**	.136	1	
FS	-.226*	-.170	.125	-.125	-.084	-.056	1

*Note. **. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

Source: SPSS Output

Table 3 shows the relationships between various financial metrics and the dependent variables, Return on Assets (ROA) and Return on Equity (ROE). For ROA, we find weak positive correlations with Equity to Total Assets ratio (ER), implying that entities with higher ROE and ER tend to have slightly higher ROA. However, these correlations are not statistically significant at the 0.05 level. On the other hand, ROA displays weak positive correlations with Loss ratio (LR), indicating that an increase in LR is associated with a slight increase in ROA, and this correlation is statistically significant at the 0.05 level. Conversely, we observe weak negative correlations between ROA and Claim paid (CP). These correlations suggest that entities with higher CP tend to have slightly lower ROA, and both correlations are statistically significant at the 0.05 level. There is no statistically significant correlation between ROA and Firm size (FS).

As for ROE, there is a moderate positive correlation with Equity to Total Assets ratio (ER), indicating that entities with higher ER tend to have higher ROE. This correlation is statistically significant at the 0.05 level. Additionally, we find a weak positive correlation between ROE and Loss ratio (LR), suggesting that an increase in LR is associated with a

slight increase in ROE, but this correlation is not statistically significant. On the other hand, there are moderate negative correlations between ROE and Claim paid (CP). These correlations imply that entities with higher CP tend to have lower ROE, and both correlations are statistically significant at the 0.01 level. Furthermore, there is a strong positive correlation between ROE and Insurance premiums ratio (IP), indicating that entities with higher IP tend to have lower ROE, and this correlation is statistically significant at the 0.01 level. Similar to ROA, there is no statistically significant correlation between ROE and Firm size (FS).

4.3 Regression Analysis

The regression analysis has been computed and results are presented in the Table 2. More specifically, it shows the regression results of loss ratio, firm size, loan to deosit ratio, insurance premium ratio on profitability of selected Nepalese insurance companies.

Regression analysis makes the assumption that there is a causal link between two or more variables, whereas correlation analysis makes no such assumption. A single dependent variable is the subject of a simple linear regression, whereas a single dependent variable is the subject of multiple linear regressions, which illustrate the effects of several independent variables. The degree of association between two variables is all that correlation analysis can reveal. Regression analysis is therefore performed in order to gain a deeper comprehension of the degree of correlation between two or more variables. The influence of several independent factors on a single dependent variable is examined using multiple regression analysis. Therefore, to examine the effects of several independent factors on job-hopping behavior, multiple regression analysis is employed. The influence of perceived risk on the relationship between behavioral intention and willingness to learn and adapt is also examined using multiple regression analysis.

Table 4

Coefficients (ROA)

	Coeff.	S.E.	t- value	Sig.	Results
Constant	2.396	.432	5.550	.000	Significant
ER	.823	2.492	3.330	.002	Significant
CP	.348	1.245	.412	.624	Insignificant
LR	.005	.004	1.443	.151	Insignificant
IP	.016	.022	.727	.468	Insignificant
FS	-.002	.000	-3.636	.000	Significant
Adj. R- square				0.262	
F- value				12.855	
p- value				0.000	

a. Dependent Variable: ROA

Source: SPSS Output

Table 4 also depicts the beta for all the attributes or independent variables under taken in the study to determine their impact on Insurance companies in Nepal. It shows that firm size has beta of -0.002. Further the beta coefficient implies that 1% change in insurance companies performance of Insurance companies leads to 0.2% negatively change in firm size factor with other factors remain unchanged.

Change in IP has beta of 0.016; the beta coefficient implies that 1% change in insurance companies performance of Insurance companies leads to 1.6% changes in IP factor with other factors remain unchanged. LR has beta of 0.005; the beta coefficient signifies that 1% change in profitability of Insurance companies leads to 0.5% change in LR variable with another variable remain unchanged.

Similarly, adjusted R-square is 0.262 which means 26.20% in insurance companies performance of Insurance companies in Nepal is explained by FS, IP, LR, ER, CP after adjusting degree of freedom (df). Model summary also indicates the standard error of the estimate of 0.433 which shows the variability of the oFServed value of profitability of Insurance companies.

F value is 12.855 and p value is 0.00 i.e. p value is less than 0.05 and significant at 5 percent level of significance which indicates that independent variables significantly impact the insurance companies performance of Insurance companies.

The p-value is 0.00 which is less than alpha value 0.05. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (FS, IP, LR, ER, CP) are significant in explaining the variance in insurance companies performance of Insurance companies in the context of Nepal.

Table 5

Coefficients (ROE)

	Coeff.	Std. Error	t	Sig.	Results
Constant	39.018	5.801	6.725	.000	Significant
ER	5.862	19.65	3.299	.006	Significant
CP	6.56	5.54	.260	.796	Insignificant
LR	.115	.049	2.357	.020	Significant
IP	-.089	.291	-.305	.761	Insignificant
FS	-.019	.006	-3.116	.002	Significant
Adj. R- square				0.254	
F- value				11.089	
p- value				0.000	

a. Dependent Variable: ROE

Source: SPSS Output

Table 5 also depicts the beta for all the attributes or independent variables under taken in the study to determine their impact on Insurance companies in Nepal. It shows that firm size has beta of -0.019. Further the beta coefficient implies that 1% change in insurance companies performance of Insurance companies leads to 1.9% negatively change in firm size factor with other factors remain unchanged. LR of insurance companies has beta of 0.115. Likewise, the beta coefficient signifies that 1 % change in insurance companies performance of Insurance companies leads to 11.5% change in LR with other factors remain unchanged.

Change in IP has beta of -0.089; the beta coefficient implies that 1% change in insurance companies performance of Insurance companies leads to 8.9% negatively changes in IP factor with other factors remain unchanged. LR has beta of 0.115; the beta coefficient

signifies that 1% change in profitability of Insurance companies leads to 11.5% change in LR variable with another variable remain unchanged.

Similarly, adjusted R-square is 0.254 which means 25.40% in insurance companies performance of Insurance companies in Nepal is explained by FS, IP, LR, ER, CP after adjusting degree of freedom (df). Model summary also indicates the standard error of the estimate of 5.828 which shows the variability of the observed value of profitability of Insurance companies.

F value is 11.049 and p value is 0.00 i.e., p value is less than 0.05 and significant at 5 percent level of significance which indicates that independent variables significantly impact the insurance companies performance of Insurance companies.

The p-value is 0.00 which is less than alpha value 0.05. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (CR FS, IP, LR, ER, CP) are significant in explaining the variance in insurance companies performance of Insurance companies in the context of Nepal.

4.4 Discussion

The results of this research showed that the loss ratio (LR), which is negligible at the five percent significance level, could not be considered a variable that influences the performance of insurance businesses. This result is in contrast to Kharel's (2021) study, which indicated that LR has a favorable and substantial influence on the performance of insurance businesses, but it is comparable to Bhattarai's (2020) conclusion.

Subsequent investigation showed that the profitability of insurance businesses in Nepal is positively and significantly correlated with firm size (FS). This result is in conflict with that of Batool and Sahi (2019), although it is comparable to that of Risal (2019). In a similar vein, Edem (2017) noted that the performance of insurance firms was negatively impacted by the credit to deposit ratio. Similarly, Nainggolan and Soemitra's (2020) research showed that the loan to deposit ratio has a detrimental effect on the profitability of insurance businesses. According to Hamal (2020), insurance premiums had a statistically significant detrimental impact on the ROA-based profitability proxy. In a similar vein, this research's IP significantly impairs the ROA of insurance firms' performance metrics. However, IP has a favorable and negligible effect on the ROE of insurance businesses' performance metrics.

According to this study, firm size significantly improves the ROA performance metrics for insurance businesses. However, company size has a favorable and negligible effect on Nepalese. In a similar vein, Dhakal (2015) and Poudel (2019) discovered a positive and statistically significant association between business size and profitability that is linear in nature. Furthermore, Hailu (2018) contended that scale efficiency demonstrates a favorable relationship between business size and profitability.

The results of the analysis showed that IPR has a statistically significant detrimental effect on Nepalese insurance businesses' profitability. The results are at odds with those of Hussain (2016) but comparable to those of Aduda and Iregi (2017). While other research has produced contradictory findings, it has not been possible to link the performance of insurance firms to intellectual property. This demonstrates the effectiveness with which Nepalese insurance firms evaluate credit. The results demonstrate that IP reduces loan payments to Nepalese insurance firms, which lowers revenue and reduces available capital for investment and, ultimately, lowers insurance company profitability.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter outlines the main conclusions of the investigation and provides a succinct synopsis of the whole study. Furthermore, the main conclusion is covered in a separate section of this chapter along with some implications and suggestions on how claim payment affects the profitability of insurance firms in Nepal. The extent of the research in the same topic for the future brings this chapter to a close.

5.1 Summary

This study's primary goal is to determine how claim payment factors affect insurance firms' performance. The findings are predicated on secondary data that was gathered for five insurance firms between 2013–14 and 2022–23. Examining the effects of loss ratio, insurance premium, loan to deposit ratio, and firm size on insurance businesses' profitability is made easier by this study. A sample of fifty observations was obtained. The secondary data used in this study were gathered from the websites of the relevant insurance firms and the NRB. Five independent variables (FS, IP, LR, ER, and CP) and two dependent variables (insurance firms' performance, measured by ROA and ROE) have been set up for this study.

There was a presentation and discussion of the study's importance and goal. As previously said, the study's main goal is to investigate how the claim payout variable affects insurance firms' profitability. Chapter II included a presentation of the numerous research on the subject that were examined in relation to developed and emerging nations. Appropriate variables were chosen for the study based on the review. After that, each variable was defined and the reasoning for their selection was presented. We also spoke about the predicted sign and the calculating formula. Nevertheless, the final models included two independent variables that were not included in the earlier research. ROA and ROE were chosen as dependent variables to indicate the profitability of insurance businesses in Nepal, since they were the most often used variables in the literature. FS, IP, LR, ER, and CP, which stand for claim payment variables, are examples of explanatory variables. In order to conduct this study, panel data analysis and pooled regression analysis were done to all 20 insurance firms in Nepal from 2014 to 2023. Using the findings from the numerous statistical analyses, the main study question—"What is the impact of claim payment variable and profitability of Nepalese

insurance companies from 2014 to 2023?"—is addressed. Overall, the findings suggest that there is a connection between Nepali insurance firms' income and the amount of claims they pay.

The study demonstrates that the profitability as determined by ROA is significantly impacted by loan to deposit, insurance premiums, and business size. Loss ratio, as determined by ROA and ROE, does not, however, significantly affect the profitability of Nepalese insurance businesses. Furthermore, the remaining variables have little effect on profitability as determined by ROE, whereas the loan to deposit ratio has a considerable influence. The study comes to the conclusion that Nepalese insurance firms' performance is significantly impacted by the claim payment obligation.

The results point to a connection between these insurance firms' income and the settlement of claims. Particularly, it was discovered that the loan to deposit ratio, insurance premiums, and business size had a major influence on profitability as determined by ROA. However, when profitability was determined by both ROA and ROE, the loss ratio did not significantly affect it. Furthermore, compared to the other factors, the loan to deposit ratio significantly affected profitability as determined by ROE. The study's findings shows that claim payment standards do, in fact, have a big impact on how well Nepalese insurance firms operate.

5.2 Conclusion

This study looked into how Nepalese insurance firms performed from 2014 to 2023 in relation to claim payment characteristics. A number of important variables were examined in the research, such as the loss ratio, insurance premiums, loan to deposit ratio, and business size. Return on equity (ROE) and return on assets (ROA) were used to measure profitability. Without a question, one of the most regulated sectors of the global economy is the insurance sector.

The insurance sector believes that, in a worldwide setting, the payment of claims is essential to the operation of insurance firms. The payment of insurance company claims is one of the most important regulatory measures because it affects the profitability of insurance firms and plays a significant role in the soundness and risk-taking behavior of insurance companies. The study demonstrates that the profitability of insurance businesses as determined by ROA is positively correlated with both company size and

loss ratio. On the other hand, LDR and IP show a negative correlation with Nepalese insurance businesses' ROA-based profitability.

Similarly, the outcome demonstrates that firm size, LR, and IP have a positive link with insurance businesses' profitability as determined by ROE. In a similar vein, the outcome demonstrates that LR and LDR have a negative association with Nepalese insurance businesses' ROE-based profitability. The study comes to the conclusion that while LR and LDR have no discernible effects on the profitability of insurance businesses evaluated by ROA, firm size, insurance premium, and loan to deposit have a major impact. The study also comes to the conclusion that the main factors impacting changes in Nepalese insurance businesses' profitability are firm size, loan to deposit, and insurance premium.

The study's findings underscore the importance of claim payment factors in determining Nepalese insurance firms' profitability. In order to help insurance firms, regulators, and policymakers in Nepal make well-informed decisions about claim payment criteria and their effects on the financial stability and performance of the insurance business, these studies provide insightful information.

5.3 Implications

The research looked at how Nepalese insurance firms' profitability was affected by paying claims. There is still sufficient groundwork in terms of data, models, and methods for further research. The following list of other research is what the study leaves room for:

5.3.1 Managerial Implications

- Generally speaking, insurance firms must keep their LR levels at an optimal level (or in compliance with regulatory requirements) in order to safeguard their depositors' investments, avoid financial difficulties, and support the stability of the financial system.
- In order to help insurance firms function better, the research also suggests that they regulate and monitor intellectual property (IP) and maintain as low a level of IP as feasible by placing a greater emphasis on repayment capacity prior to granting credit approval.

- Insurance businesses in Nepal should be informed that their size has an impact on their performance. Because they may vary their products and diversify their risks to compete in less competitive markets, larger insurance companies often make better profits.

5.3.2 Research Implications

- The insurance firms in Nepal are mostly responsible for this outcome. Thus, in order to determine the effect of claim payment on insurance companies' profitability, future research can do this kind of study using other financial institutions, such as development insurance companies, financial firms, and so on.
- In a similar vein, more research may be conducted with the use of sophisticated statistical techniques. Future research, for instance, can make advantage of causality and non-linear statistical methods.
- Only secondary data were used in this investigation. Therefore, by employing primary sources like surveys, questionnaires, special group discussions, etc., future research may be conducted in a more thorough manner. Further research on the qualitative phenomena might be contemplated.
- Additional claim payments made by central insurance firms include spread rates, insurance company rates, statutory liquidity ratios, and leverage ratios, all of which have an impact on the profitability of the insurance companies. Therefore, these characteristics can be included in future research, which will provide more study findings.

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ABSTRACTS The main purpose of this study is to know the impact of claim payment variables on performance of Insurance companies. The results are based on the secondary data which are collected for five insurance companies during the period 2013/14 to 2022/23. The study helps to examine the impact of loss ratio, insurance premium, Loan to deposit ratio and firm size on profitability of Insurance companies. The study shows that loan to deposit, insurance premiums and firm size have significant impact on profitability measured by ROA. However, loss ratio has not significant impact on profitability of Nepalese insurance companies