

**FIRM-SPECIFIC FACTORS AFFECTING  
FINANCIAL PERFORMANCE OF INSURANCE  
COMPANIES IN NEPAL**

**A Thesis**

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## CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis entitled “**Firm-Specific Factors Affecting the Financial Performance of Insurance Companies in Nepal**” has not previously been submitted nor it has been submitted as part of requirement for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Laxman Khatiwada

Date:.....

## RECOMMENDATION LETTER

It is certified that thesis entitled **Firm Specific Factors Affecting Financial Performance of Insurance Companies in Nepal** submitted by **Laxman Khatiwada** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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**APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled **Firm-Specific Factors Affecting the Financial Performance of Insurance Companies in Nepal** presented by **Laxman Khatiwada**, a candidate for the degree of **Master of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Laxman Khatiwada

## ABSTRACT

*This study aimed at determining the relationship between firm-specific factors affecting the financial performance of insurance companies in Nepal. The study was based on descriptive and causal-comparative research designs. The descriptive research design has been fact-finding and searching for adequate information about the fundamental issues associated with variables affecting financial performance of insurance companies in Nepal. Moreover, this study also emphasizes on cause and effect relationship between firm-specific factors and its impact financial performance of insurance companies in Nepal. This study is based on the secondary data which are gathered from 8 insurance companies in Nepal with 56 total numbers of observations for the study period 2010/11-2016/17. The main sources of data are official website of concern insurance companies, companies' profiles, annual reports of insurance companies and supervision reports published by Bema-Samiti. Collected data was analyzed using Statistical Package for Social Scientists.*

*The conclusion of the study is that leverage, size and liquidity play greater role in factors affecting the financial performance of insurance companies in Nepal. The result revealed that the beta coefficient for leverage and liquidity of a company are negative. It indicates that leverage and age have negative impact on financial performance (ROA and ROE). The beta coefficient for size on the other hand is positive. It indicates that positive impact on return on financial performance (ROA and ROE) where beta coefficient is significant. However, the result of the study also concluded that there is no significant relationship between age of the company and growth of the premium on the profitability of insurance companies in Nepal.*

*The findings of the study recommend leverage is negatively related with performance so, insurance companies should minimize the debt amount by utilizing most of their internal sources. Size of the company is positive related with financial performance. So, consideration of increasing the company assets is an important factor as it positively influences its performance. Greater attention should be paid on liquidity ratio because it negatively affects the financial performance. So, the insurance companies should be more concerned with maintaining optimum level of current assets and their proper utilization.*

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### ABBREVIATIONS

ROA	=	Return on Assets
ROE	=	Return on Equity
BS	=	Beema Samiti
SPSS	=	Statistical Package for Social Sciences
R <sup>2</sup>	=	Coefficient of Determination
NSE	=	Nairobi securities exchange
AG	=	Age of company
LV	=	Leverage of company
SZ	=	Size of company
LQ	=	Liquidity
PG	=	Premium Growth
RBS	=	Rastriya Beema Sansthan
NBL	=	Nepal Bank Limited
SIC	=	Shikhar Insurance Company
SLICL	=	Surya Life Insurance Company Limited
NLIC	=	Nepal Life Insurance Company
NIC	=	Neco Insurance Company
PICL	=	Premier insurance company limited
SICL	=	Sagarmatha Insurance Company Limited
GLICL	=	Gurans Life Insurance Company Limited
EIC	=	Everest Insurance Company