



## **Determinants of Financial Performance; Evidence from Ethiopia Insurance Companies**

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### **Jel Classification**

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### **Abstract**

The objective of this research was identifying the determinants of financial performance in case of Ethiopian Insurance Companies over the period of 2010-2015. Profitability ratios were used as proxy of financial performance measurement; return of asset (ROA) and return of equity (ROE). Panel data set from nine insurance companies over the period of six years were used. The descriptive statistics implied that nonexistence of variation in ROA and ROE since the standard deviation statistics for ROA (34%) and ROE (11%) were below the respective means (63% and 19%). To identify the determinants of financial performance, Ordinary least square (OLS) estimation method was employed. The estimation result showed that capital adequacy, liquidity, size, age, loss, leverage were the key determinants of financial performance. From this researchers concluded that financial performance mainly driven by firm specific factors. Thus, attention should be given to firm specific variables to have a sound financial performance.