Firm-specific internal determinants of profitability performance: an exploratory study of selected life insurance firms in Asia

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Abstract:
Purpose
This study is an exploratory study investigating firm-specific internal factors that influence the profitability performance of selected life insurance firms in eight Asian countries (China, Hong Kong, Taiwan, Singapore, Japan, South Korea, Thailand and Malaysia) from 2008-2014. This paper aims to focus on internal rather than external factors based on the resource-based view suggesting that the internal resources of a firm are key to gaining competitive advantage.

Design/methodology/approach
The authors used panel data estimation model to test our six hypotheses on these eight selected countries for the period between 2008 and 2014.

Findings
A random effect model reveals that size, volume of capital and underwriting risk are significantly related to the profitability of Asian life insurance firm, measured as return on assets. Premium growth, asset tangibility and liquidity are insignificant predictors of the profitability performance of these life insurance firms.

Practical implications
Three implications of this study are that life insurance firms need to proactively tap new business opportunities by attracting younger generation customers via e-marketing technologies; secure larger capital base to finance their market expansion strategies; and focus on intangible resources such as goodwill, brand equity and reputation.

Originality/value
This study contributes to the literature by conducting an exploratory regional-based panel study of Asian life insurance firms to find common factors that contribute towards profitability. The study is conducted on a collective sample of Asian life insurance firms based on the premise that the firms included in the sample engage in cross-border activities and share the same international financial reporting standards. These commonalities allow us to treat the firms jointly in a somewhat similar Asian macroeconomic environment.

Keywords: Resource-based view, Internal factors, Life insurance, Asian, Profitability performance

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