Review of: "Determinants of Corporate Financial Performance in African Insurance Market"

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Review of Determinants of Corporate Financial Performance in African Insurance Market

Summary

Determine the key determinants of corporate financial performance in the African insurance market is relevant and interesting. The study aims to identify how variables such as underwriting risk, reinsurance, premium growth, firm size, firm age, capital adequacy, leverage ratio, liquidity ratio, gross domestic product, and inflation rate affect the profitability of selected MFIs from 2010 to 2022 and ROA is used as proxy for the profitability. The study finds that the actual impact results correlate with the expected ones and are in line with the existing literature. With limited research on similar topics in Ethiopia, this study contributes to the existing stage of the study of corporate financial performance of insurance firms in Africa and fill the gaps. While the discussion section is rich in relevant theories and findings are backed up by papers, the literature review section needs to be rewritten as the papers used to back up findings from the discussion section are nowhere to be found in the literature review section and that the literature review is not up to the standard required for lack of summarizing relevant papers related to the topic and identifying gaps to make up the contribution of the paper.

Major Issues

Introduction

For the purpose of getting the flaw and avoiding repetition, you can consider the following:

You can consider starting the introduction with this fourth paragraph below, that is the first paragraph which starts with "The African insurance market plays a crucial role" becomes second.

Insurance business nowadays plays a significant role in the growth of the financial services, ultimately contributing to the overall success of the economy. Therefore, examining the determinants of organizations' performance has gained importance in the corporate finance literature. However, in the context of the insurance sector, it has received little attention, particularly in Africa (Hermes & Hudon, 2018). The financial performance of insurance companies can be analyzed at both the micro and macroeconomic levels, being determined by internal factors represented by specific characteristics of the company and external factors related to connected institutions and the macroeconomic environment (Deyganto & Alemu, 2019).

After the third paragraph which argues about "effective risk management", insert this paragraph below:

In prior studies, the determinants of corporate financial performance by insurance firms are less understood, and no substantive work using multiple insurance outcomes over a number of years has been undertaken. The concerns raised in reviews of individual insurance businesses in Ethiopia and normative discussions of what should constitute best practice do point to the need for a better understanding of the factors contributing to financial performance. This study, therefore, identifies and provides a framework for undertaking research related to factors affecting corporate financial performance in the insurance sector operating in Africa. Even though many studies have been conducted to identify the determinants of firm financial performance in different sectors, there are limited studies conducted in the insurance sector in Ethiopia. The empirical analysis of factors contributing to financial performance in relation to the insurance market is still at an immature stage, and this justifies the need to conduct more studies in this field to enhance the development of the insurance market.

To avoid redundance and even contrast, you can consider combining the last two paragraphs, below is a suggestion:

The empirical studies of researchers such as Ayele (2012); Burca & Batrinca (2014); Meher & Zewudu (2020); Ejigu (2016); Karadağ Erdemir (2019); Sambasivam & Ayele (2013); Deyganto & Alemu (2019); Berhe & Kaur (2017); Hartarska & Mersland (2012); Hailegebreal (2016); Meher & Zewudu (2020); Sharma, Jadi, & Ward (2018); Kanbiro & Ayneshet (2019) have found that the financial performance of insurance firms is influenced by both internal and external factors. However, the aforementioned studies failed to address the literature and methodology gap by incorporating small-sized insurance firms in their samples. The maximum number of MFIs incorporated in their studies was 10. ~~This study aims to improve the sample size by including 170 observations, considering 17 insurance firms in Africa with at least 10 years of audited financial statements. The researcher aims to identify the effects of underwriting risk, reinsurance, premium growth, firm size, educational age, capital adequacy, leverage ratio, liquidity ratio, gross domestic product, and inflation rate as explanatory variables on the profitability of selected MFIs from 2010 up to 2022 G.C. This is necessary for policy guidance on the effect of each specific variable on the profitability of insurance firms in Africa.~~

~~On the other hand, from the researcher's level of knowledge, there is limited research on similar topics in Ethiopia, and it will contribute to the existing stage of the study of corporate financial performance of insurance firms in Africa. Therefore, filling the aforementioned gaps is the aim of this research. Hence, the aforementioned studies failed to disclose the literature and methodology gap by incorporating those small-sized insurance firms in their samples.~~ The maximum number of MFIs incorporated in their studies was 10. ~~However,~~ this study ~~will~~ improve the sample size to 221 observations by considering 17 insurance firms in Ethiopia, which have at least 13 years of audited financial statements. So, the researcher aims to identify the effect of underwriting risk, reinsurance, premium growth, firm size, educational age, capital adequacy, leverage ratio, liquidity ratio, gross domestic product, and inflation rate as explanatory variables on the profitability of selected MFIs from 2010 up to 2022 G.C for the necessity of policy guidance on the effect of each specific variable on the profitability of insurance firms in Africa. On top of that, there are a number of insurance companies cropping up in different parts of the country. Therefore, this study attempts to analyze the determinants of corporate financial performance in the insurance market in Africa.

Then this paragraph below becomes the last paragraph before the research objective. However, for a paper, the research

objective is best being incorporated into this last paragraph instead of it standing alone, here is a suggestion below:

Understanding the determinants of corporate financial performance in the African insurance market is crucial for sustainable growth and profitability. Analyzing the determinants of the financial performance of African insurance firms help establish the effect of internal factors such as underwriting risk, liquidity management, reinsurance, premium growth, capital adequacy, firm size, and firm age on the financial performance of insurance firms in Africa. It also helps examine the impact of external factors such as GDP and inflation rate on the financial performance of insurance firms in Africa. ~~By analyzing economic factors, the regulatory environment, market competition, risk management practices, and corporate governance,~~ this study aims to provide valuable insights into enhancing financial performance within the African insurance market. The findings of this research ~~will~~ contribute to the existing literature and provide practical implications for policymakers, industry practitioners, and researchers seeking to strengthen the financial performance of insurance companies in Africa. The subject of determinants of corporate financial performance in the insurance industry has become a burning issue in the African insurance market due to the fact that the sustainability of insurance firms is the most important sector in any economy in the world. The financial performance of insurance companies is also relevant within the macroeconomic context, as the insurance industry is one of the financial system's components, fostering economic growth and stability (Burca & Batrinca, 2014).

Literature Review

The current literature review presents the various variables and hypotheses meanwhile this should be done in the methodology section. I suggest the first subsection of the current literature to be kept but without subtitle or heading, so just the paragraph. In contrast the last two subsections from the literature should be shifted to the method section. When it is done, you can now consider searching all the recent papers related to the topic, and if not found, you can consider old papers, summarized them, and incorporate them into the literature review section. Since you want the hypotheses in the literature section, the papers you will get, you can incorporate them into the literature in such a way that it will demonstrate or help arrived in the construction of your hypotheses, hypotheses that you can mention at the end of the literature, right after the gap and contribution paragraph. Do not forget to identify the gap from the literature in the last paragraph and mention how your study fit in and add value. It is advisable to have a literature review of a minimum of 10 papers. You can learn more about how to write literature review of a paper based on those papers related topic you will download.

Method

The subsections shifted from literature review to the method can both constitute the first subsection that is 3.1 with subtitle data and hypotheses.

Subsection 3.4. Data Collection & Analysis can be considered added to the suggested subsection 3.1 data and hypotheses.

The overall structure of the method section can be summarized into 2 subsections being data and model.

Results

This section should focus on presenting the results and discussing them. Any other things such as definition and role or importance of descriptive statistics and correlation as well as steps to conduct a correlation analysis should appear at the method section under the paragraph where descriptive statistics and correlation are mentioned. That is to say the descriptive statistics subsection can start with "This section presents the descriptive statistics of dependent and independent variables…". And the correlation subsection can start with "The following table shows the result of correlation analysis…". Additionally, the subsection Random versus Fixed Effect Model can be shifted to the method section and can start the model subsection.

Results and discussion can both represent a section instead of having them separately. That is for the subsection titled Results of Regression Analysis, after the presentation of the results, you can discuss it beneath.

Discussion

Papers used to back up the results did not appear in the literature review. Please always ensure that any back up paper to the findings is included in the literature review.

Conclusion

The conclusion can consider to be rewritten as follows:

The first paragraph can recall what published work have done or found related to the topic and how your work differs from theirs. Then mention the purpose or objectives of the study, the data source and coverage, model used.

The second paragraph can discuss the findings in summary and what the findings imply.

The third on can suggest appropriate recommendations where there is failure. There is no amount of limited recommendation such as 10. You can recommend even one as long as it is an appropriate one and addresses an issue based on the findings.

The last one can identify limitation of the study and further research.

The subsection Area of Further Improvement can be shifted to the last paragraph of the conclusion section as limitation of the study and further research.

Minor Issues

Abstract

Add the value added of the paper to the existing literature review in this section.

Introduction

It is also advisable to use the term "study or paper" instead of research.

Regarding the tense to be used in the introduction section, it is advisable to work with the past tense and or present

tense, more precisely present tense when it has to do with presenting objective(s) of the study and its contribution. For example, where it is written "the findings of this research will contribute to" can be replaced by "the findings of the research contribute to".

Method

The tense here should be past and or present. For example, in the first section where it is said "in this study, a quantitative approach will be applied" can be written as follow "in this study, a quantitative approach is applied". Another one is "In quantitative analysis, the researcher will use the following methods" can be replaced by "In quantitative analysis, the researcher uses the following methods".

It is advisable to use the term "study or paper" compared to the term "researcher".