

ORIGINAL ARTICLE

THE EFFECT OF CHANGES IN FINANCIAL RATIOS OF FIRMS ON SHARE PRICE: BORSA ISTANBUL (BIST) INSURANCE SECTOR

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Abstract

Insurance companies are essential risk management players in the financial system and play an active role in capital markets by channeling the funds they collect into various investment instruments. Therefore, the financial structures of companies play a critical role in market stability and investors' decision-making processes. In this study, the effects of the financial ratios of companies operating in the Turkish insurance sector on share prices are analyzed in detail. In the analysis, using data from 2016Q2-2024Q1, the companies' capital structures, borrowing ratios, liquidity positions, and other financial structure elements are examined. The study aims to investigate the relationship between these financial structure elements that affect investors' decisions and share prices. The study analyzes the effects of financial structure ratios on share prices using panel data methods. The analysis results show that the financial structure of insurance companies has a significant impact on share prices. In particular, capital structure, borrowing ratio, and liquidity stand out among the financial ratios to which investors pay attention. Effective debt management policies should be developed to prevent the negative effects of companies' borrowing policies on market values.

Keywords

Financial Ratios, Stock Prices, Panel Regression

JEL Classification

G14 - Q56.

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1. INTRODUCTION

The insurance sector is an important part of the financial system and critical in managing risk for individuals and businesses. This sector secures the financial stability of insured individuals and institutions and contributes to stabilizing risks in the broader economic system. Insurance companies become active players in capital markets by channeling the funds they collect through the policies they offer into various investment instruments. Accordingly, the financial structures of insurance companies and their impact on share prices are critical for investors and industry stakeholders. Financial structure is one of the leading indicators of a company's financial performance and is among the factors determining its long-term sustainability and competitiveness. Analyzing insurance companies' financial structure requires assessing borrowing levels, capital structure, liquidity positions, and profitability ratios. These elements are the main factors affecting the company's risk appetite, growth potential, and market stance. Financial structure ratios enable companies, especially those operating in the insurance sector, to comply with legal regulations and gain a strong position in the markets by gaining investors' trust. In recent years, capital markets have become increasingly complex, requiring investors not only to focus on the profitability of companies but also to pay attention to their financial structure. Financial structure ratios in capital-intensive sectors such as insurance companies play a critical role in risk-return analyses. Investors try to predict the future performance of companies by looking at their borrowing policies, liquidity management, and equity utilization ratios. In this context, analyzing the effects of insurance companies' financial structure ratios on share prices is of great importance for the efficiency of financial markets and the accuracy of investment decisions. When it comes to a firm's market capitalization, the first thing that comes to mind is the firm's stock value. The stock market value is the most objective value for stocks, if any. If an asset belonging to an enterprise is included in the stock exchange, the Price formed by the buyers and sellers in the stock exchange and traded in the stock exchange is expressed as the stock exchange value of that asset. Although it is not traded in the stock exchange, the Price formed in the market is not called stock exchange value but is called market value (Aktaş, 2012).

This study is motivated by the need for a deeper understanding of how financial structure elements affect the valuation of insurance companies in capital markets. This study will analyze the effects of insurance companies' financial structure ratios on share prices. The data analysis period of the study is 2016Q2-2024Q1. The study aims to reveal the impact of financial structure elements on investor behavior of companies operating in this sector by providing an analysis specific to the Turkish insurance sector. In this context, the relationship between capital structure, borrowing ratios, liquidity indicators, and other elements of financial structure and share prices will be discussed in detail. The study is expected to provide essential findings on the relationship between insurance companies and investors and contribute academically and industry-wide. Panel cointegration tests are used to determine the relationship between financial structure ratios and the share prices of insurance companies. The study consists of an Introduction, Literature Review, Data and Methodology, Results, Conclusion, and Discussion sections.

Contributions of this study to the literature (i) There is a limited number of studies analyzing the effect of financial structure ratios of insurance companies on share prices. This study aims to fill this gap in the literature by providing an analysis specific to the insurance sector. (ii) Focusing on sectoral differences in the relationship between financial ratios and share prices, this study reveals the effects of financial structure factors specific to insurance companies on share prices in more detail.

2. LITERATURE REVIEW

Studies have analyzed the relationship between financial failure and stock returns and concluded

that the relationship between financial failure and stock returns is still being determined. On the one hand, studies have argued that there is a positive relationship between financial failure and stock returns (Chen and Hill, 2013). Other studies have shown that higher bankruptcy risk leads to lower returns. In other words, a negative relationship exists between financial failure and stock returns (Chava and Purnanandam, 2010). In our study, rather than the effect of financial failure on stock returns, we sought to answer whether there is a long-run cointegration between financial failure and stock prices because financial failure is not an instantaneous event but an event that may occur in the long run for firms.

Alexakis, Patra, Poshakwale (2010), using panel data analysis method on 47 non-financial and non-banking companies traded in the Greek ASE index covering the period 1993-2006, found a positive relationship between stock returns and *vdh*, *co*, operating profit margin, *okk*; a negative relationship with total debt/equity, *PD/DD*, but no relationship with *nkm*, *vk* and *ko* and concluded that financial ratios have an essential place in the prediction of stock returns.

Buyuksalvarcı (2010) examined liquidity ratios, asset utilization ratios, financial structure ratios, profitability ratios, and stock market performance ratios as independent variables. Stock data were used as the dependent variable. During the 2001 and 2008 economic crisis periods, while evaluating stock market performance ratios, he found a significant and positive relationship between the *PD/DD* ratio and stocks.

In the study conducted by Birgili and Duzer (2010), the relationship between financial ratios and firm value was analyzed by using liquidity, financial structure, effective use of assets, profitability, and stock market performance ratios. As a result of the study, it was found that financial ratios affect firm value and a significant negative relationship was found between the acid-test ratio, total debt/total assets, short-term debt/total debt, inventory turnover, equity turnover, and operating profit/net sales ratios and firm value. However, the relationship between receivables turnover ratio, asset turnover ratio, gross profit/net sales, net profit/net sales, net profit/net assets ratios, and firm market capitalization was insignificant.

Karaca and Bascı (2011) link stock returns and financial statements to the relationship between the annual financial performance of 14 companies registered in the BIST 30 index for 2001-2009. by using the financial statements. Panel data with the help of seventeen financial ratios analysis and evaluated the results. According to the results, net profit margin, operating profit margin, asset turnover, and equity turnover ratios statistically affect stock returns. They concluded that they explained it in a significant way. Another study was conducted by Aydemir et al. (2012). 73 companies in the BIST manufacturing sector for the period 1990-2009 data, they investigated the effects of financial ratios on stock returns. They analyzed the effects of liquidity ratios on stock returns and profitability ratios positively affect share returns. In contrast, the leverage ratio has a similar impact, and operating ratios do not affect stock returns.

In Cakır and Kucukkaplan's (2012) study, liquidity ratios, receivables turnover ratio, and inventory turnover ratio are used as independent variables, while asset turnover ratio and leverage ratio are used as control variables, and return on assets, return on equity, and market capitalization/book value ratios are considered as dependent variables. The relationship between the dependent and independent variables is analyzed using panel data analysis. As a result, it is found that the current ratio and leverage ratio are negatively related to return on assets. In contrast, acid-test, inventory, and asset turnover ratios have a positive and significant effect on profitability.

Dadrasmaghadam and Akbari (2015) examined liquidity ratio, asset turnover ratio, profitability (ROA, ROE), and financial leverage ratios together with the agriculture sector and agriculture-related machinery and equipment stock prices, agriculture department and related services, food and sugar stock prices by using panel data analysis method. As a result of this study, they found that the leverage ratio, the current ratio, and the return on assets ratio have a significant effect on stock prices. In contrast, the return on equity ratio has a positive effect, and the asset turnover ratio has a negative effect.

Kaya and Ozturk (2015) investigated the relationship between stock prices and accounting profits.

They determined a long-term relationship between accounting profits and stock prices by subjecting the profits and stock prices of 17 enterprises operating in the BIST food, beverage, and tobacco sector from 2000-2013 to panel data analysis. At the same time, as a result of the study, they determined unidirectional causality from the net profit/total assets and net profit/net sales variables representing accounting profits to the % change in stock price variable and bidirectional causality between the operating profitability variable and the % change in stock price variable.

Ozen vd., (2015) measured the financial performances of 4 selected companies in the BIST food index for 56 quarters between 2000-Q4 and 2014-Q3 by using the Topsis5 method and found that there was no statistically significant relationship between the calculated performance scores and stock returns for all four companies. Twenty financial ratios were analyzed, and significant and positive relationships were found between these ratios and stock returns in only one enterprise (equity ratio, asset turnover ratio, net profit margin, return on equity, return on net assets, return on net paid-in capital, return on operating profit and ordinary profit ratios). In contrast, stock returns and financial data were almost unrelated in the other three enterprises.

Yaman et al. (2017) examined the relationship between stock returns and financial ratios of food sector enterprises in BIST for the period 2003-2015 by using the panel data regression analysis method. (2003-Q2 - 2015-Q4), pre-crisis period (2003-Q2 - 2007-Q4) and post-crisis period (2008-Q2 - 2015-Q4) and used panel data analysis method. According to the findings, current ratio, price/earnings ratio, and earnings per share ratios have significant effects on stock returns for all periods; current ratio and price/earnings ratio for the pre-crisis period; and current ratio, price/earnings ratio, and earnings per share ratio for the post-crisis period.

Sarı and Kırkık (2018) examined the relationship between liquidity, profitability, borrowing, and activity ratios and the closing stock prices of 20 companies with the highest market share in the manufacturing sector of Borsa Istanbul between 2006 and 2015. The study shows a positive relationship between activity, liquidity profitability ratios, and stock prices. However, no significant relationship was found between borrowing ratios and stock prices. On the other hand, Isık (2019) analyzed the traditional financial ratios affecting firms' stock returns in the BIST 100 index for 2010-2017 using panel data regression analysis. This study revealed that market capitalization, book value, earnings per share, total debt, and return on assets ratios positively correlate with stock returns.

Uyar and Sarak (2020) applied panel data analysis with the data of BIST (36 firms) and London Stock Exchange FTSE (45 firms) listed firms in the manufacturing sector between 2008-2018 to examine the relationship between financial ratios and market capitalization of firms operating in the same sector but in different markets. As a result, when Borsa Istanbul is analyzed, it is found that the effect of the current asset turnover ratio, price-earnings ratio, and borrowing ratio on firm value is statistically significant. In contrast, when the London Stock Exchange is analyzed, borrowing ratio, equity turnover ratio, and return on equity ratio statistically affect firm value. According to the results of the analyses, it is concluded that a similar financial ratio group-firm value relationship can be observed for firms operating in the same sector but in different markets.

Our study's results support both positive and negative relationship hypotheses in the literature on the relationship between financial ratios and stock prices. Since financial ratios are not instantaneous but long-term, our study analyses the long-term effects of this relationship. In line with various studies, the effects of debt/equity ratios, profitability, and liquidity ratios on share prices more clearly reveal the long-term effects of financial ratios on share prices.

3. DATA AND METHODOLOGY

3.1. Data

Starting from the 2nd quarter of 2016 and ending in the 1st quarter of 2024, the data of 6 Insurance Companies traded on Borsa Istanbul were compiled using one dependent variable and 12 indepen-

dent variables. Balance sheet data were obtained from the data analysis platform site, all ratios were calculated, and the price data of the companies was obtained from investing. The reason for choosing 2016Q2-2024Q1 as the data analysis period is that this period covers a period of significant macro-economic changes and financial reforms in the insurance sector. Especially in the post-2016 period, global financial markets faced various dynamics, such as low interest rates, fluctuations in global growth, and policy changes. In this period, how the financial structure ratios of the insurance sector are affected under these volatile conditions and their relationship with share prices have become an important research topic. The 2024Q1 period is the point at which the latest data can be obtained, allowing the data to be analyzed in an up-to-date manner. In this way, the data used in the analysis covers major economic events in the past periods and allows more comprehensive results to be obtained in light of current data. This long-run data span provides an ideal time frame for analyzing both short-term and long-term effects of the relationship between share prices and financial structure ratios. The descriptive table for the dependent and independent variables used in the study is shown in Table 1.

Table 1

Descriptive Statistics of Insurance Companies Traded on BIST

Variables	Number of Observations	Average	Std.	Min.	Max.
Price	192	9.5354562	13.941820	0.2710000	494,1800
Co	192	2.3013381	1.8019200	0.9375095	10.45737
Lo	192	1.6938612	1.1247480	0.6575896	7.302074
No	192	0.5417237	0.6302986	0.0200671	3.982987
Ko	192	0.5103898	0.1892205	0.0969328	0.794691
Bdh	192	6.2110231	12.104571	0.0647699	92.53675
Yvy	192	0.8512192	0.1442037	0.4495030	0.998053
Nkm	192	0.0558653	0.1086705	-0.3936436	0.442341
Okk	192	0.1035111	0.2207621	-0.2772958	2.023817
Vk	192	0.0318477	0.0448876	-0.0761313	0.2530297
Aots	192	259.9023	227.875	28.9298	1440.008
Komo	192	126.6555	135.1049	2.605353	771.1298
Vdh	192	0.9801716	0.7895629	0.1107589	4.060485

Not: Co: Current Ratio, Ko: Leverage Ratio, Bdh: Debt Turnover Ratio, Yvy: Maturity Structure of Liabilities, Aots: Average Collection Period of Receivables, Vdh: Asset Turnover Rate, Lo: Liquidity Ratio, No: Cash Ratio, Nkm: Net Profit Margin, Okk: Return on Equity, Vk: Return on Assets, Komo: Combined Ratio

In Table 1, averages, minimum, maximum, and standard deviation values of the variables are reported. The correlation table of insurance companies is presented in Table 2. When Table 2 is analyzed, it is seen that co and no, lo, and but variables have a high correlation. The high correlation between these variables indicates the relationship between a firm's liquidity management and its debt structure. For example, the current and liquidity ratios indicate the firm's capacity to meet its short-term liabilities, while the debt turnover ratio reflects debt management performance. These correlations suggest that a firm's liquidity and debt management policies affect each other. These correlations are due to the similarity in the calculation formulas of the related variables.

Table 2
Correlation Table for Listed Companies in the Insurance Sector

	Price	CO	LO	NO	KO	BDH	YVY	NKM	OKK	VK	AOTS	KOMO	VDH
Price	1.0000												
CO	-0.1836	1.0000											
LO	-0.0788	0.1261	1.0000										
NO	0.0195	0.4534	0.1987	1.0000									
KO	-0.0296	-0.3710	-0.1789	-0.1800	1.0000								
BDH	-0.1832	0.2859	0.1981	0.1489	-0.4744	1.0000							
YVY	-0.3659	-0.3583	-0.4246	-0.4085	0.3615	-0.2026	1.0000						
NKM	0.5364	-0.0584	0.0431	0.1340	-0.2411	-0.1188	-0.4287	1.0000					
OKK	0.1344	-0.1073	-0.0732	-0.0785	0.0356	-0.0764	0.0141	0.1669	1.0000				
VK	0.3772	0.0097	0.0856	0.1603	-0.2281	0.0283	-0.3120	0.1820	0.2372	1.0000			
AOTS	0.1450	-0.2255	-0.1691	-0.1838	0.1410	-0.3036	-0.0457	-0.0207	0.0223	-0.2422	1.0000		
KOMO	-0.2381	0.0009	-0.0873	-0.0067	-0.0578	-0.1178	-0.0760	-0.0340	-0.1357	-0.1795	0.3340	1.0000	
VDH	-0.2820	0.0075	-0.0511	-0.1124	0.2507	0.2592	0.3861	-0.2492	-0.0356	0.0310	-0.5690	-0.4302	1.0000

3.2. Estimation Method

Since, as suggested by O'Connell (1998), the presence of horizontal cross-section dependence among the series may lead to excessive rejection of unit root tests, horizontal cross-section dependence was tested using the LM (LM_AD) test and Pesaran 2004 CD test proposed by (H. Pesaran, Ullah, & Yamagata, 2008). Since the results of these tests found with the help of Stata software show horizontal cross-section dependence in all series for the listed companies in Turkey, second generation unit root tests are preferred to test whether the series is stationary. Unlike the first-generation unit root tests, these tests allow horizontal cross-section dependence. The results are presented in Table 4. The results presented are the horizontal cross-section dependence results for the whole model. In addition, according to Pesaran and Yamagata's 2008 homogeneity test, the variables are heterogeneous. The model will be constructed based on this data.

4. EMPIRICAL RESULTS

Table 3
Horizontal Cross-Section Dependence Test and Homogeneity Test for Listed Companies in Insurance Sector

Test Name	Statistics	p-values
LM(Breusch-Pagan 1980)	88.46	0.0000
LM adj*(Peseran Ullah Yamagato 2008)	34.24	0.0000
LM CD*(Peseran 2004 CD Test)	7.532	0.0000
Pesaran, Yamagata. 2008 (Homogeneity Test)	3.997	0.0000

Since all test results show cross-dependence and heterogeneity in the model, it is recommended that methods consider these features in the panel data model.

Table 4

Probability Reference (p) Values Used in Unit Root Tests for Listed Companies in the Insurance Sector

P PROBABILITY REFERENCE VALUES			
	T= 40 N=6 CHIPS TESTS		MADF TESTS
	Intercept (Constant)	Intercept (Non-constant)	
1%	-2.55	-3.06	Approximately %5 = 23.476
5%	-2.33	-2.84	
10%	-2.21	-2.73	

CIPS and Multivariate Extended Dickey-Fuller (MADF) tests were performed for the enterprises traded in the insurance sector since all of the series have horizontal cross-sectional dependence and result from the unit root tests. The MADF test is performed when the $N < T$ condition is met. In our analysis, $N=6$ and $T=40$ satisfy this condition. The test results are presented in Table 5.

Table 5

Unit Root Test Results for Listed Companies in the Insurance Sector

	CIPS intercept	CIPS intercept + trend	Multivariate Dickey-Fuller (MADF)	Extended
Price	-0.528	-0.214	19.871	
Co	-3.541***	-3.472***	48.358**	
Lo	-3.537***	-3.522***	48.911**	
No	-3.413***	-3.543***	64.706**	
Ko	-3.073***	-3.253***	50.085**	
Bdh	-4.569***	-5.149***	92.282**	
Yvy	-2.101	-2.184	16.585	
Nkm	-3.001***	-3.395***	75.496**	
Okk	-4.591***	-5.156***	99.769**	
Vk	-3.491***	-3.679***	93.383**	
Aots	-3.777***	-4.457***	137.713**	
Komo	-3.845***	-4.438***	139.614**	
Vdh	-2.780***	-3.519***	78.005**	

Notes: *** indicates 1% stationary, ** indicates 5% stationary, and non-stars indicate non-stationarity.

Although most series are stationary, the Price and Maturity Structure of Liabilities variables are non-stationary. The existence of a long-run equilibrium relationship between the variables is possible, and panel cointegration tests test this relationship. Since the existence of inter-unit correlation is known, second-generation cointegration tests will be applied. These tests are Westerlund and Genbechbach, Urbain, and Westerlund panel cointegration tests.

Table 6*Cointegration Test Results for Listed Companies in the Insurance Sector*

Test	Results
Westerlund and Genbechbach	2.6064(0.00)***
Urbain and Westerlund	3.8832(0.00)***

It is concluded that cointegration is present in both panel cointegration tests. To choose between estimators in panel data analysis and determine the model, the model to be used for estimation is decided with the help of these tests by testing whether there are individual and time effects in the model. Although various tests are used for this purpose, F tests are used in this study. The F test performed with the help of the Stata program for the companies traded in the Insurance Sector is given in Table 97. According to the result of the F1 test, which tests whether there are individual and time effects, the test statistic is 2.20, and since the probability value is less than 0.05, the hypothesis H_0 is rejected. Thus, the existence of at least one effect is accepted. The F2 test for the presence of individual effects was performed, and the H_0 hypothesis was rejected with a test statistic value of 30.78 and a probability value of 0.00. Finally, in the F3 test for the presence of time effects, the H_0 hypothesis was rejected with a statistical value of 2.05 and a probability value of 0.00, and it was decided that there were Two Way Fixed Effects in the model.

Table 7*F Test for Companies Traded in the Insurance Sector*

	Test Statistic	P-Value	Effect Result
F1	2.20	0.000	Impact Available
F2	30.78	0.000	Impact Available
F3	2.05	0.000	Impact Available

The linear model for insurance firms is presented below. The model results are presented in Table 8.

$$\text{Price}_{it} = \alpha_{it} + \beta_1 \text{co}_{it} + \beta_2 \text{lo}_{it} + \beta_3 \text{no}_{it} + \beta_4 \text{ko}_{it} + \beta_5 \text{bdh}_{it} + \beta_6 \text{vy}_{it} + \beta_7 \text{nk}_{it} + \beta_8 \text{ok}_{it} + \beta_9 \text{vk}_{it} + \beta_{10} \text{aots}_{it} + \beta_{11} \text{sots}_{it} + \beta_{12} \text{vdh}_{it} + u_{it} \quad (1)$$

Table 8
Linear Model for Listed Companies in the Insurance Sector

Dependent Variable = Price	Coefficient	Standard Error
Co	0.561	1.962416
Lo	-10.329***	3.830048
No	12.296***	3.105553
Ko	-8.492	6.727032
Bdh	0.094	0.1179759
Yvy	-23.9879***	6.375023
Nkm	57.844***	13.6478
Ok	6.097**	3.084204
Vk	-42.565	31.33388
Aots	0.010**	0.0043766
Komo	-0.043***	0.0064636
Vdh	-1.037	1.339577
Constant	44.5777***	9.435727
R²	0.5828	

When Table 10, which includes the linear regression results, is analyzed, it is seen that liquidity ratio, cash ratio, maturity structure of liabilities, net profit margin, and average consumption period of inventories have a significant effect on the Price dependent variable at 1% level, while average collection period of receivables and return on equity have a significant effect on Price at 5% level. Other variables do not have a significant effect. A one-unit increase in the liabilities and liquidity ratio maturity structure affects the Price by negative 23.9 and 10.3, respectively. One unit increase in cash ratio and net profit margin positively affects the Price by 12.3 and 57.8, respectively.

In both sections, the presence of unit root, cross-sectional dependence, and cointegration was detected, and it was decided to use the Common Correlation Effect (CCE) estimator (H. M. Pesaran, 2006) for estimation with this type of structure. This estimation method is a model developed for estimating panel data with sufficiently large cross-sectional dimensions and subject to cross-sectional dependence. The asymptotic theory required for this estimation is valid when the time dimension T is constant and $T \rightarrow \infty$ (H. M. Pesaran, 2006, p. 29). Moreover, the method allows the slope to vary from cross-section to cross-section (Dam, 2014, p. 116). In his study, Pesaran (2006) showed that the CCE estimator gives better results than the CCEMG estimator in small samples with Monte Carlo Simulation. He also revealed that the CCE method is more efficient than methods that do not consider horizontal cross-section dependence (Pesaran, 2006; Nazlıoğlu, 2010; p.102). In this study, the long-run cointegration vector was estimated with the Common Correlated Effects Model (CCE) under the presence of heterogeneity, horizontal cross-section dependence, and cointegration relationship. Thus, the slope parameter is allowed to vary across cross-sections (Pesaran, 2006). The basic model was constructed with the variables of the model that yielded significant results.

Table 9

Common Correlated Effects Model and Baseline Model for Listed Companies in the Insurance Sector

*Not: ***%1 ** %5 * %10 anlamlılık düzeyini ifade eder.*

Common Correlated Effects Model			Basic Model		
Dependent Variable = Price	Coefficient	Standard Error	Dependent Variable = Price	Coefficient	Standard Error
Co	17.04858**	7.475593	Co	22.39318***	4.714877
Lo	-9.029956	13.57181	Ko	51.18231***	11.3618
No	7.129454	6.986589	Bdh	-0.0375767	0.3408001
Ko	32.60221**	16.18064	Yvy	50.30224***	8.561862
Bdh	1.252235*	0.6976418	Aots	0.0135489**	0.0060915
Yvy	37.27217***	12.93151	Komo	0.0212404***	0.0071649
Nkm	-13.04262	10.96814			
Okk	17.77569	32.28502			
Vk	-39.67787	102.1613			
Aots	0.0167785**	0.0087455			
Komo	-0.043***	0.0163361			
Vdh	-10.9601	8.725888			
Constant	-46.47857	57.65662			
R ²	0.652			0.5896	

When the selected Commonly Associated Effects Model results are analysed, yvy and komo variables have a 1% aots, ko and co variables have a 5% and bdh has a 10% significant effect on the Price. It has a different result from (Gumus et al., 2017) with the maturity structure of liabilities. In the basic model established by removing insignificant variables, R2 decreased from 0.652 to 0.5896 without any loss of significance. The bdh variable, which was significant in the model, became insignificant in the base model. In the basic model, the aots variable has a significant effect on Price at 5% co, ko, komo and yvy variables significantly affect Price at 1% level.

5. DISCUSSION AND CONCLUDING REMARKS

The study results revealed that the financial structures of insurance companies have significant effects on share prices. According to the selected Common Correlated Effects Model, some financial ratios were found to impact share prices at different significance levels. Investors' asset management efficiency (yvy) and combined ratio (como) significantly affect share prices at a 1% significance level. This suggests that capital structure strongly influences investor decisions and can increase a company's share prices. The average collection period of assets (aots), profitability ratio (ko), and turnover ratio (co) have a positive effect on share prices at a 5% significance level. In comparison, the debt turnover ratio (bdh) significantly affects the 10% level. These results reveal that, especially in the capital-intensive insurance sector, investors attach importance to key financial indicators related to operational efficiency, asset management, and profitability. These indicators are critical for understanding their impact on share prices. The study contributes to the academic literature and industry investment strategies, providing essential insights to guide informed investment decisions.

These results show that the financial structures of insurance companies are of critical importance for investors in predicting the future performance of companies. Investors shape their investment decisions by paying attention to companies' borrowing policies, liquidity management, and capital

structure. In particular, financial indicators such as capital structure, liquidity positions, and debt turnover ratio directly impact stock prices by reflecting the risk management capacity and growth potential of companies. Chen and Hill (2013) argued in their study that there is a positive relationship between financial failure and stock returns, and our study is parallel to this study. In the long term, a decrease in stock prices can be observed with the increase in debt, which is consistent with the findings of Alexakis et al. (2010). Kaya and Öztürk (2015) examined the relationship between accounting profits and stock prices and found a causal relationship between these variables in the long term. Our study investigated the long-term effects of profitability ratios on stock prices, and it was concluded that profitability is an important determinant of stock prices. In the basic model created by removing insignificant variables, although the R2 value decreased from 0.652 to 0.5896, there was no loss in the significance level of the model. This shows that the effect of the variables in the model on stock prices is generally preserved. Still, some variables, such as debt turnover (BDH), become insignificant in the basic model.

In the basic model, the average collection period of activities (aots) has an effect on stock prices at a significance level of 5%, turnover ratio (co), profitability ratio (co), combined ratio (como), and investors' asset management efficiency (yvy) at a significance level of 1%. These findings show that investors pay particular attention to companies' liquidity and debt policies and that these elements shape stock prices. As a result, this study provides important findings to understand the effects of financial structure elements of companies operating in the insurance sector on stock prices. In particular, it is seen that financial structure ratios have an important place in risk management and return analyses in industries such as the capital-intensive insurance sector. In this context, the study's findings contribute to both academic literature and the investment strategies of stakeholders in the sector, shedding light on more conscious decision-making processes.

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