

**AN INVESTIGATION ON THE INFLUENCE OF CORPORATE GOVERNANCE
ON FINANCIAL PERFORMANCE OF INSURANCE SECTOR IN KENYA**

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DECLARATION AND APPROVAL

I hereby declare that this research project is my original work and has not been submitted to any institution or University for any award.

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This research project has been carried out under my supervision as the University appointed Supervisor.

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DEDICATION

I dedicate this research to my parents Abdow and Abdia, my wife Fardosa, son Amir and daughter Zahira for all of their support and encouragement.



ACKNOWLEDGMENT

I give thanks to the Almighty God for blessing me with life and the will to grow intellectually. Without the unmerited favor he showed me, I never would have made it this far. To my beloved

family you remain extremely cherished. My supervisor Dr. Isaac Abuga, I salute you for your advice and guidance throughout the research project development process. Your professional timely corrections and encouragement is appreciated. I recognize you and let God's blessings be upon you.



ABSTRACT

A decline in performance has been seen by Kenyan insurance businesses despite the implementation of new regulations on corporate governance. The study's overarching goal was to ascertain how different standards of corporate governance affected the bottom lines of Kenyan insurance firms. The study's three main objectives were to(1) examine the connection between board composition,(2) examine the function of risk management in

influencing financial performance, and(3) examine the impacts of transparency on the financial performance of insurance companies in Kenya. Important to this inquiry were the concepts of agency, responsibility, and signaling. This study used a descriptive survey design to validate, elucidate, and contextualize the results. Among the 49 insurance companies in Nairobi City County, this study aimed to contact 10,000 department heads. The survey included 282 people in all. Secondary data was culled from audited and registered financial accounts as well as annual reports of insurance companies in Kenya, whilst primary data was derived via questionnaires. Descriptive and inferential statistics was used to examine the quantitative data, and content analysis to sift through the qualitative data. This research used multiple regression analysis to ascertain the factors impacting the profitability of insurance firms in Kenya. The findings show that risk management does not have any statistical significance as a predictor variable at the 95% confidence level ($P = 0.863$). A coefficient of -0.03 was found for risk management. The transparency predictor variable did not show statistical significance ($P = 0.623$), hence the conclusion cannot be drawn. A transparency coefficient of $+0.075$ was determined from the results. There was a statistically significant relationship between board participation and the outcome ($P=0.019$, 95% CI). We found that the board composition coefficient was $+0.353$. Findings from the research suggest that insurance industry strategists and legislators should prioritise board composition factors when deciding on corporate governance norms. Insurance business executives might increase profits by focusing less on transparency and more on other corporate governance rules and practices. Even while risk management should be a fundamental component of every company's governance framework, the data shows that insurance firms put too much weight on it. The study concludes that since risk management lowers financial performance, it follows that insurance companies in Kenya would see a drop in their bottom line as a result of heightened risk management. Even if there is a slight positive link between openness and performance, insurance firms in Kenya would not see a considerable improvement in their results. Board composition has a favorable effect, and hence, insurance businesses' financial performance will improve after a board composition change. The research recommends that insurance company policymakers and strategists should prioritize board composition factors when deciding on corporate governance practices. The study's recommends that insurance company management to shift their attention from transparency to other corporate governance regulations and practices that might boost their bottom lines.

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LIST OF ACRONYMS

CEO	Chief Executive Officer
CCG	Center for Corporate Governance
CRO	Chief Risk Officer
EAC	East African Community
ERM	Enterprise Risk Management
GDP	Gross Domestic Product
IoDSA	The Institute of Directors in Southern Africa
MCCG	Malaysian Code on Corporate Governance
MIP	Medical Insurance Providers
ROCE	Return on Capital Employed

ROE

Return on Equity



CHAPTER ONE

INTRODUCTION

1.0 Introduction

An introduction, a description of the issue, and a research aim were the three main parts of this study. This chapter also served to outline the study's aims, research subjects, and importance. Additionally, the study's limitations, assumptions, scope, limits, and restrictions were considered.

1.1 Background of the Study

Insurance businesses in Kenya are the focus of this research, which looks at how corporate governance procedures affect their bottom lines. An integral part of every country's strategy for mitigating risk, the insurance industry also contributes significantly to GDP. According to Walter and Vincent (2018), this framework provides long-term finance for infrastructure projects in Kenya, ensures financial stability, and makes financial intermediation easier. In business parlance, "corporate governance procedures" refer to a set of guidelines for how the board does its business. This is the code of conduct that the CCG (Center for Corporate Governance) adheres to.

Implementing these strategies ensures the organization's long-term sustainability. Wangombe (2018) highlighted the critical leadership qualities required to steer a company to success by advocating accountability, transparency, and responsibility. Additionally, he emphasized how important it was to put the organization's well-being first. The aforementioned factors, including the make-up of Directors of Board, organizational arrangement, degree of conformity and achievement within firms, the principles upheld by the organization, how authority is organized in

the institution, and evaluation of Boards' efficacy, can be seen in this phenomenon, as stated by Bain and Band (2016).

Due to the current wave of significant economic crises, corporate governance has become more important. As a means to assist organizations in functioning properly, corporate governance practices have garnered significant attention on a global basis. Because of this, it has become a major topic of debate among many international strategic and policy-making organizations. The global economic downturn of the late 1990s affected companies all across the globe, particularly in Brazil, Asia, and Russia. Concurrently, bad corporate governance put the whole financial system at risk (Claessens & Yurtoglu, 2013). Consequently, people's trust in businesses took a major hit when financial scandals shook the US and Europe, leading to huge bankruptcies and a broad erosion of faith in the corporate sector.

The worldwide economy took a major hit and had a number of systemic consequences as a result of major scandals including Vivendi (France), American conglomerate Enron, British firm Maxwell, Italian firm Parmalat, and American conglomerate WorldCom. The distributional, macroeconomic, and long-term consequences of poor corporate governance have therefore begun to be recognized by academics, business magnates, and politicians worldwide. In order to foster economic stability, governments throughout the world have passed legislation regarding corporate governance (Hopkin, 2017). Nonprofits, government entities, and publicly listed enterprises are the primary targets of these restrictions.

The management of state-owned enterprises is a significant concern. Developing nations are progressively embracing the concept of corporate governance due to their recognition of its

potential to foster sustained economic well-being. Several state firms have experienced bankruptcy due to governance concerns, as evidenced by the case of South Africa (Khoza, Makina & Makoni, 2024). The concept of corporate governance is gaining prominence on legislative agendas in various African countries, including Ghana and South Africa. Since the Asian crisis and the African business sector's supposed underperformance, discussions on development have centered more on corporate governance (Berglof & Von Thadden, 2014).

It is imperative that current and future board members have a thorough understanding of how companies' boards operate. According to Sandton Convention Centre in Johannesburg that the 2009 Code and Report was presented to the public outlined the essential traits of effective leadership, including openness, accountability, and efficiency. Training on how to impact the strategic direction of their company and improve shareholder performance by analyzing current issues in corporate governance is crucial, according to research by Freeman, Wicks, and Parmar (2014). This training should be provided to both current and aspiring female board members, board committees, and individual directors. Along with the South African King Report, Godfrey (2017) found that African corporate governance thought has advanced significantly. The new strategy involves focusing anti-corruption efforts by state agencies on corporate bribery and other forms of corruption that occur on the supply side.

According to Hopkin (2017), better corporate governance practices may help businesses succeed and even thrive. Streamlined access to finance, reduced capital costs, improved performance, and equitable treatment of all stakeholders are benefits that will persist regardless of market or company conditions. One of the key goals was to survey and contrast different approaches to

company governance in terms of their financial implications. Strong corporate governance systems are essential for organizations to achieve their overarching objectives, foster an environment of responsibility, promote effective and efficient performance, and uphold ethical standards in all aspects of business.

1.1.1 Corporate Governance Practices

Every company may benefit from good corporate governance procedures in their own unique manner when it comes to organizational success. Organizational effectiveness, transparency, and accountability within management teams are all enhanced by adhering to corporate governance standards (Ping, 2017). The effectiveness of an organization suffers when its operations are not open and accountable, as this leads to less corruption and fraud. Fair labor policies, public trust, a strong organizational brand, high-quality services, and prudent capital management are all components of good corporate governance standards. By standardizing procedures, increasing efficiency, and decreasing the frequency of related party transactions which are often inefficient corporate governance standards lead to higher productivity (Nulawadin, 2018).

Investors have more faith in a company when good corporate governance practices are in place, says Abor (2017). This is due to the fact that when investors are assured of a return on their investment and a healthy return on their capital, they develop trust and confidence in well designed Corporate Governance standards. Strong Corporate Governance systems attract investors because they are trustworthy, transparent, and provide all relevant information (Okiro et al., 2018).

Insurance businesses' financial performance was negatively affected by bigger boards, according to Munga (2018). This was because bigger boards took longer to make judgments and gain

agreement on crucial matters, which in turn delayed operational choices made by staff. The process of implementing corporate governance regulations has impacted the bottom lines of insurance businesses in Kenya. Composition of directors had favorable outcome on a corporation's financial success. It didn't matter whether the board included executive or nonexecutive directors; what mattered most were the members' competencies, experience, and skill sets. Insurance businesses' financial performance improved after separating duties among chairperson and CEO, according to the research. The research concluded that governance among corporations is expected to be associated with improved performance for insurance companies.

Good corporate governance, asserts Abor (2017), increases confidence among investors. This is due to the fact that when investors have faith in a company's ability to repay their funds and provide a satisfactory return on investment; they are more likely to support that company financially. High creditworthiness, transparency, and disclosures of all information make excellent corporate governance investor friendly (Okiro et al., 2015). Agyei and Owusu (2014) state that a company's management system, valuation, financing costs, and business growth will all be impacted by better Corporate Governance. Due to concerns about loan security and the likelihood of default, lenders will be hesitant to provide funding to a company with poor Business Governance, may ensure negative bearing on the investment structure. With its external funding at risk, the company will utilize its internal funds to run its day-to-day business and fund its future investments. Consequently, an imbalanced financing situation increases the likelihood of a financial crisis starting at one organization and then spreading to other businesses, customers, and employees.

1.1.2 Financial Performance of Insurance Companies

How well a person, team, or business accomplishes its objectives is known as performance (Mathur, 2018). Richard and Stevenson state that there are essentially three components that comprise performance of a firm in regards to its output (2019). Three elements are having sufficient funds, doing effectively in the market, and expanding market share. Keep nonfinancial KPIs like sales volume, reaction time, and product quality in mind as you concentrate on outwardly oriented metrics like customer happiness and brand preference. Projecting metrics like as employee happiness, retention, and succession planning are also very important. The management of monetary activities is one aspect of financial performance. There may also be a correlation with the extent to which monetary goals have been met. According to Mak and Kusnadi (2017), it might also refer to the process by which a company determines the value of its policies and activities. Keeping tabs on the overall capital structure of a firm over time allows for comparisons between companies in the same industry and those in other sectors (Kwaning & Mahama, 2015).

Actuaries, as stated by Burca and Batrinca (2016), use a business's financial data as a crucial tool for underwriting and investment decisions made by the insurance company. While both internal and external variables influence insurance company performance, the industry's contribution to economic development and stability makes insurance company financial success crucial (Ochido & Njoroge, 2023). While external factors affect related institutions and the macroeconomic climate at large, a company's fundamental principles may be articulated via its distinguishing characteristics (Rouf, 2011).

Benchmarking is a crucial component of strategy formulation and the achievement of long-term objectives (Chang & Chuang, 2019). This is due to the fact that it contributes to the efficiency of

internal operations and acts as a method of expressing a company's strategic vision and goals to all of its workers. According to Karanja et al. (2018), organizational performance is a multifaceted notion that encompasses assortment of domains, which are; operations, economics, and knowledge connected to customers. There are three measures that are used to quantify organizational performance. These metrics include efficacy, effectiveness, and importance of a firm's performance.

According to Fahey and King (2016), organizational performance is well-defined as variance among the worth that a business really produces and the value that investors expect. As a consequence of this, the performance of the business may be determined by using a variety of indicators, such as the product lifespan, efficiency, dependability, productivity, profitability, cost management, and sales volume (Mathur, 2018). In its most fundamental form, performance evaluation is contextual. This is due to the fact that every business has its own unique collection of obstacles. It has been suggested by Constable and McCormick (2019) that the success or market position of a firm may have an effect on the outcomes of that company.

1.2 Statement of the Problem

There were fifty insurance businesses as of the end of 2015, according to the Insurance Regulatory Authority (2015). Twelve businesses catered to the buying and selling of life insurance, fourteen to just the writing of policies, and twenty-five to neither. A total of 6,424 people worked as insurance agents, including 139 brokers and 22 MIPs. There were 133 licensed players, 114 engine advisors, 27 insurance experts, 30 risk management professionals, and 3 dispute resolution agents on the team. Several insurance firms with their licenses in Kenya have established branches in other East African Community member nations via subsidiaries and links, taking advantage of Kenya's position as the largest insurance market in the region. Aside from the increased insurance

coverage in the region as a whole, differences in the breadth and complexity of regulations between the EAC member states have stifled the anticipated integration profits. Because of this, there was an attempt to synchronize EAC regions regulation outlines.

Insurance company's asset base increased from Kshs 477.2 billion to Kshs. 525.3 in 2016, a rise of 10.1% (2015 - 12.3%). In contrast, liabilities increased by 10.3% thus, Kshs 385.0 billion in 2016, from Kshs. 349.1 the previous year. The total asset worth of insurers reached Kshs 425.3 billion in 2016, an increase of 9% from the previous year. This is now 81.0 percent of insurance companies' assets, up from 81.5 percent in 2015. Monies for firms not focusing on life reached Kshs. 146.33 Billion, a 34.4% increase over 2015's total investments of 36.1% of the sector. However, investments in life assurance businesses reached 278.92 billion Kshs, up from 249.2 billion in 2015, or 65.6%, up from 63.85% in 2015.

Despite the implementation of corporate governance regulations, insurance enterprises in Kenya have shown a decline in performance. According to the IRA's 2016 annual report, the industry as a whole has slowed significantly due to certain long-term insurance enterprises' continuous losses. The rate of growth reached its highest point in 2014 at 3.44%, then declined to 2.93% in 2015, and ultimately settled at 2.79% in 2016. Kenya is a country with over 40 million inhabitants but a shockingly low penetration rate of 3% when it comes to health care. The penetration rate in South Africa is 16% among its 50 million inhabitants, compared to 4% in

India, a country with a population of over one billion (Mwangi, 2016). In spite of robust regulatory frameworks, corporate governance procedures at Kenyan insurance businesses are lacking (Mang'unyi, 2014). As per Muriithi (2015), a number of insurance firms have been stained by

immoral behavior. The directors were dishonest and unethical in their interactions with shareholders, and they often deceived shareholders on their behalf. The Insurance Regulatory Authority of Kenya has said that poor corporate governance practices within Kenya's insurance sector are a hindrance to the achievement of the country's strategic objectives. Local and international investors have lost trust in Kenya due to the contentious corruption cases that have captivated the legal and commercial sectors (Manyuru, 2015).

The factors that lead to the worsening of business failures and instances of financial fraud include ineptitude, embezzlement, and abuse of authority, according to Maharjan (2019). Ocharo, Kiptoo and Kariuki (2021) looked at effect of governance in corporations on monetary performance of Kenyan insurance companies using data gathered from 2013 to 2018. In order to get this data, the poll comprised 51 insurance companies that have valid licenses to operate in Kenya as of December 31, 2018. Corporate governance significantly affects insurance companies' bottom lines, according to regression study. In layman's terms, findings indicate the number of board members negatively but with a association that was substantial statistically with organization's monetary performance. Results showed that financial performance increased when boards were more diverse. In addition, the numbers show that a company's bottom line benefits greatly when an independent board of directors is present. Researchers Nyagwoka and Muchelule (2023) looked at insurance companies in Nairobi City County, Kenya, to see how their corporate governance affected how well they operated their operations. Research out of Nairobi City County, Kenya, found that insurance companies' bottom lines increased when directors were given more independence. Companies providing insurance in Nairobi City County, Kenya, that have been around for a while usually have solid systems in place. Despite the increasing public interest in

this topic, researchers have mostly ignored influence of governance of corporation standards on government-run firms.

Return on equity was shown to be positively connected with board size, duality of board and CEO, and corporate ownership by the state, according to research done by Miring'u (2016). This study's findings suggest insurance company boards of directors should take into account a significant component when promoting sound corporate governance procedures are in line with earlier research (Miringa, 2015). Part of this component is building the right institutional, legal, and economic structure and allocating sufficient resources to exercise control over senior management. Concerning corporate responsibility, Ochido and Njoroge (2023) intended to investigate the performance of state-run enterprises. The study's authors concluded that transparency in financial matters, shareholder rights, and performance all work hand in hand. Financial success is significantly related to the treatment of shareholders. Efforts made to safeguard shareholder rights and treat shareholders equitably have an effect on the Kenya Power and Lighting business's performance, disclosure and monetary openness. According to findings, insurance companies' bottom lines are strongly correlated with the examined corporate governance norms. This held true notwithstanding any oversights, inaccurate financial reporting, or tardiness on the part of insurance firms. While the above studies have addressed the relationship that exist between financial performance and rules and laws that regulate corporate governance there still existed a knowledge gap on context, concept and methodology that the current study sought to fill. Therefore, the current study sought to fill this knowledge gap by examining the correlation among between problems of governance and the monetary success of Kenyan insurance businesses.

1.3 Purpose of the Study

The purpose was to investigate how Kenyan insurance businesses' financial performance is correlated with the rules and laws that regulate corporate governance.

1.3.1 Specific Objectives

- i. To assess the influence of risk management on financial performance of Kenyan insurance companies.
- ii. To investigate the influence of transparency on financial performance of Kenyan insurance companies.
- iii. To assess the influence of board composition on financial performance of insurance firms in Kenya.

1.4 Research Questions

The investigation inquiries guiding this study included:

- i. What influence does risk management have on the bottom lines of Kenyan insurance firms?
- ii. To what degree does transparency influence financial performance Kenyan insurance firms?
- iii. In Kenyan insurance companies, how does board composition influence financial performance?

1.5 Significance of the Study

Participants would get an understanding of relevance of governance principles in enhancing reputation of their respective firms. Therefore, company's bottom line may see an increase due to this improved reputation. The workers of a company are often the best choice to spearhead initiatives that attempt to improve the company's public perception. Executives and lawmakers would also find this tool useful for investigating corporate governance problems within their own companies, which should lead to better management of corporate governance and an improvement in the company's image. Organizations must prioritize transparency in corporate governance if

they are to function efficiently and sustainably in any setting, whether it highly competitive or not. This is a major question in public and private segments.

Individuals interested in studying and enhancing Kenya's corporate governance standards could potentially benefit from this study's conclusions. This means that scholars have a mountain of reading and writing to perform before they can help the next crop of corporate leaders see the value of governance in corporations. So as determine the efficacy of other parties involved in the industry, they examine several facets of corporate governance.

1.6 Scope of the Study

For purpose of this survey, the emphasis was limited down to 49 insurance businesses from Nairobi County, Kenya, that have their primary headquarters there. The study focused on risk management, transparency, board composition as the variables guiding the study. By using a descriptive survey technique, it was possible to guarantee that the data collection process was devoid of any bias which was carried out between July and September 2024. For the purpose of this investigation, the most important sources of information were the department heads of insurance companies.

1.7 Limitation of the Study

This research endeavor was hindered by a number of possible obstacles for a variety of reasons. The collaboration of data providers, the availability of essential data, the exorbitant cost, and the impossibility to get non-public information from companies were some of the issues that were encountered.

1.8 Delimitation of the Study

Geographical Delimitation: For purpose of this inquiry, no insurance firms from outside of Nairobi County, Kenya were included; rather, the focus was placed on those that were located inside the counties.

Sample Size: The study targeted departmental managers of insurance companies for data collection, thereby excluding other stakeholders within the organizations such as board members, employees, and customers.

1.9 Assumptions of the Study

Data Provider Cooperation: Research was on premise that insurance companies would work together to provide the required data.

Access to Data: It was assumed that the required data would be accessible for research purposes, either through direct submission by the insurance firms or through publicly available sources.

Cost: The study assumed that the costs incurred in data collection and analysis would be manageable within the research budget.

Access to Organizations' Websites: It was assumed that access to the websites of insurance firms for additional information gathering would be possible.

1.10 Operation Definition of Key Terms

Board Composition	This pertains to the members of directors of the firm board and knowledge and experience they bring on table on matters managing.
Corporate Governance	This is the framework governing and controlling businesses.
Corporate Governance Practices	These are the established norms and procedures that govern the management and operation of a business.
Financial Performance	An evaluation of a company's ability to turn its main source of income into tangible assets is based on this subjective metric.
Insurance Companies	To safeguard their clients' wealth from potential risks, these middlemen in the financial sector provide insurance and reinsurance services directly.
Risk Management	This is the ongoing procedure for minimizing the negative impact of losses via the identification, analysis, evaluation, and treatment of exposures to losses, as well as the monitoring of risk control and financial resources.
Transparency	In this case, there is no secrecy whatsoever about the money and corporate dealings that take place.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Suggested study's literature analysis was highlighted. Notion, ideas, and components of corporate governance were all part of what this study had to offer.

2.1 Empirical Review

2.1.1 Risk Management and Financial Performance

Study was conducted by Ndung'u (2013) was conducted with the intention of determining the impact that managing monetary risk has on returns of oil companies in Kenya. According to findings of research, successful financial risk management measures were shown to have a substantial relationship with the profitability of Kenyan oil businesses. Mensah and Gottwald (2016) researched companies from the US and throughout the world to find out what factors are associated with how much of an ERM system they have implemented. The study demonstrated that Enterprise Risk Management (ERM) was positively correlated with many criteria. Included in this list of requirements is the presence of an independent board, the company's size, its involvement in the banking, education, or insurance sectors, and the public endorsement of ERM by the CEO and CFO. Based on the findings, American businesses' Enterprise Risk Management procedures lag behind those of their international competitors. This study was carried out oil companies in Kenya while the current study focused on the insurance sector which is a different contextual area.

The purpose of the study that Ewa and Udoayang (2012) conducted was to investigate the influence that the internal control architecture has on the effectiveness of Nigerian banks in investigating staff fraud and lifestyle-related fraud. One hundred and thirteen different banks in Nigeria provided

the information that was gathered for this research. The information was gathered using questions based on Likert ruler that offered four different responses. Percentages and ratios were used in the process of doing further analysis on the data that was gathered.

According to the research, the design of internal controls influences employees' views on fraud. More specifically, a poor internal control system might raise the likelihood of fraud whereas a good one can deter staff from engaging in fraudulent behavior. This study was carried out among Nigerian banks whereas the current study was carried out in Kenya with the focus being the insurance firms' thus geographical and contextual gaps.

The purpose of Olumbe's (2012) research was to look at Kenyan commercial banks to see how internal controls and corporate governance relate to one another. The researcher made sure to include all 45 commercial banks in Kenya in the poll. Most financial institutions have used many metrics to evaluate their corporate governance and internal controls, according to the results. The approaches used to ask about the same provided proof of this. As this study's results show, all of the participants agreed that their banks had strong internal control systems and good corporate governance processes. Furthermore, it seems a considerable relationship among systems of inhouse mechanism and firm governance. The investigation that was done by Wainaina (2011) revealed that role of in-house controls was studied. The author believed that internal controls should be in sync with an organization's robust accounting environment as well as accurate financial and operational records. This is in addition to the fact that the author was concerned with the identification and prevention of fraud. This study was on commercial banks while the current study was on insurance firms which are a different sector.

With the goal of improving good corporate governance, Mbuti (2014) evaluated the several factors that affect the adoption of internal controls inside financial institutions in developing nations. To identify critical components of good corporate governance, this research looked at how weak internal controls affect the efficacy of corporate governance. A major contributor to the decline of corporate governance was the insufficient execution of internal controls, as recently disclosed. The research also found that "fact cat" directors and the existence of internal control system overrides were contributing causes to poor corporate governance. This study focused on relationship between internal controls adoption among financial institutions whereas the current study was on influence of risk management on financial performance of Kenyan insurance companies.

Abdi (2015) looked at how private banks in Mogadishu fared financially after implementing internal control mechanisms. Respondents' age, sex, education level, and years of experience were all included of the demographic profile. The major goals of this research were to look at how well private banks in Mogadishu handled their finances and how well their internal control systems worked. A specific demographic 33 people from Mogadishu's private banks were the subject of the investigation. This demography included chief cashiers, managers, and finance directors. The researchers used descriptive analysis. Several private banks in Mogadishu now have enough money to accomplish their goals, according to the results. Everybody knows their role and what they are responsible for. This study's findings demonstrate that internal auditors are trustworthy, quick, and productive. This study primarily looks at state-owned businesses, as opposed to the private banks that Abdi (2015) focused on same as the current study which focused on influence of risk management on financial performance of Kenyan insurance companies.

Strobl and Vähämaa (2015) conducted a study in 2015 that investigated the efficiency of risk management and corporate governance practices used by financial institutions. Different financial institutions situated US participated in the study. In mandate to evaluate bank, both return on equity (ROE) and buy-and-hold returns were taken into consideration. They considered the board's size, independence, and ownership stake in the organization being part of governance framework of corporations. Results showed that when reports on CRO forwarded straight to directors of the board instead of the CEO, financial institutions' securities performance and return on equity (ROE) both increased dramatically. However, corporate governance metrics and bank performance were either not correlated or had a negative relationship. A strong correlation existed among effective managing of risk and financial well-being according to studies conducted when there was a financial distress. Governance in corporations may have had little to no influence on bank performance, according to the report. This study was carried out among financial institutions in 2015 the time frame necessitates the current study owing to changes in the economic environment.

Kayode (2023) looked at how much of an effect risk management has had on commercial banks' profitability to help with financial performance improvement. The goal was to boost financial results, therefore that's what was done. The Central Bank of Nigeria's database of financial institutions was a secondary source of information gathered for this inquiry. This study spanned the years 2012–2021. Thirteen commercial banks in Nigeria served as the sample for this investigation. The best ways to analyze the data were found to be multiple linear regressions, ANOVA, Pearson correlation and descriptive statistics. The Pearson correlation research found that, with the exception of liquidity risk, credit risk, operational risk, and profitability metrics like net interest margin were significantly related. Liquidity risk was the only concern that was left out

of this investigation. Based on the findings of the linear regression, net interest margin is highly impacted by credit risk. However, operational and liquidity issues had a small influence on the net interest margins of Nigerian for profit banking institutions. Based on findings, successful risk management techniques have a momentous influence on profits in for Nigerian profit making banking institutions. Based on the findings, a sound managing of risk plan may improve financial performance. This study focused on commercial banks in Nigeria whereas the current study was on insurance firms in Kenya thus contextual and conceptual gaps.

Obayagbona and Osagiende looked at the risk management performance of Nigerian banks in their 2023 research. In order to study the banking industry's performance in Nigeria, a panel statistics exploration approach grounded on a static properties estimate was used. Among many factors that must be considered in risk management are those pertaining to operations, interest rates, credit, liquidity, and markets. For twenty-two years, data was collected from the eighteen busiest deposit money institutions that were dealt with at the Nigerian Securities Exchange platform thus, 2000 to 2021. From what we can tell from the statistics, interest rate risk significantly impacted the performance of Nigerian banks negatively, whereas liquidity and market risk had positive effects. However, research on Nigerian banking performance revealed that operational risk and credit risk were not significantly related to one another. This research suggests, among other things, that bank managers should know how credit policy affects their organizations' day-to-day operations so they can maximize deposits and decrease losses. If banks fail to adequately manage their credit risk, they may encounter financial troubles. Because of this, their profitability will fall, a decline of assets qualities will be witnessed, non-performance of loans as well as loan losses will be on the

rise. This study focused on commercial banks in Nigeria whereas the current study was on insurance firms in Kenya thus contextual and conceptual gaps.

Based on their financial performance after implementing management strategies on risk, Kumshe, Bamanga, and Salihu (2024) examined the success of listed DMBs in Nigeria. As of the end of 2022, all nineteen (19) DMBs registered in Nigeria were meant to be part of the population analyzed in this correlational study. Thirteen of the nineteen banks had to meet criteria before they could be included for the sample. In addition to having full yearly reports and financials for the five-year period starting in 2018 and concluding in 2022, being listed on the system before December 31, 2017, was one considered prerequisites. This study focused on DMB listed in Nigeria whereas the current study was on insurance firms in Kenya thus contextual and conceptual gaps.

Statistics in descriptive nature and panel analysis through regression formed the basis of the analyses, which found that listed DMBs in Nigeria experienced substantial and positive influence on their performance in monetary terms throughout study period from managing credit risk to managing souk risk and managing of capital tolerability risk. This was the verdict handed down by the experts in the field. However, despite the perceived insignificance of the impact, research demonstrated that liquidity risk management negatively affected banks' financial performance. The fact that listed DMBs in Nigeria reap financial rewards from effective risk management is a key finding of this study. This research found that listed DMBs in Nigeria might enhance their financial performance by enhancing their liquidity management procedures and routinely monitoring risks linked to credit, market, and capital adequacy. This suggests the need for more research into the

connection among good risk managing strategies and monetary success at DMBs. Identifying, assessing, tracking, and controlling risks are all parts of this procedure. Future research may also look at how listed DMBs in Nigeria have fared financially and in terms of risk management after adopting IFRS.

Mohamed and Onyiego (2018) set out to highlight the relevance of risk management for banks and other financial organizations in their inquiry. Primary drive of this research was in finding out if commercial banks in Kenya that use risk management strategies really have superior longterm performance. More specifically, we set out to examine how commercial banks in Kenya fared financially after the introduction of regulations meant to mitigate risks associated with lending, liquidity, interest rates, and operations. The research found that the main factor influencing the performance of Kenyan for profit making banking institutions was the level of risk management they used. Credit risk management was also shown to significantly impact commercial banks' bottom lines, according to the research. As a result of credit risk management, counterparties are unable to execute their obligations. Furthermore, the study's results showed that commercial banks' bottom lines are significantly affected by the way liquidity risk is managed. The research found that interest rate risk management significantly affected financial performance, even with a positive but feeble correlation among the two aspects. This study focused on commercial banks whereas the current study was on insurance firms in Kenya thus contextual gaps.

Kiptoo, Kariuki, Ocharo, and McMillan (2021) studied the financial performance between 2013 and 2020 among firms operating in the Insurance sector in Kenya in relation to risk management. The information was provided by 51 insurance companies with valid licenses to do business in as

of 31st December, 2020. Their results from regression enquiry showed that management of risk strategies significantly affected the profits of insurance companies. The research concluded that credit risk significantly and negatively affects the financial sector's performance. Businesses face a dangerous situation when the percentage of their receivables that aren't working properly surpasses the overall amount of their receivables, according to the statistics. This is why insurance companies should use credit management techniques to boost performance via timely receivable collections and decrease the quantity of defective receivables. Also worth noting is that market risk management significantly and positively affects financial performance, according to the statistics.

The quantity of money received improves the bottom line, suggesting that good investment selections lead to an increase in the amount of money received according to the suggestions from the results. This means that insurance companies can't afford to slack off when it comes to managing their assets. From the study investigations it was established that management of risk in operations favorably and even substantial affect a company's bottom line. According to the data, a drop in operational costs leads to a rise in net premiums and an improvement in overall performance when operations are well-managed. This means that insurance companies may improve their bottom line and save costs by using effective operations management strategies. Additionally, a favorable and statistically noteworthy connection among managing liquidity risk and financial sector improvement, according to the data is witnessed.

Results suggestions are that a better proportion of current assets to current liabilities may be achieved via better liquidity management, leading to higher profitability for a company. That is

why it is crucial for businesses to maintain a healthy cash reserve to pay expenses in the case their performance improves. Using risk management strategies significantly affects insurance companies' bottom lines, according to this research. Because of this, they advise that other stakeholders and directors of the board improve the corporation's bottom line by implementing effective risk management practices. They believe that lawmakers and regulators should design laws and regulations to make sure that businesses employ good risk management practices to boost their productivity and efficiency. Through its scrutiny empirically of the effect different insurance firms' managing of risk practices, the research enhances literature reviewed so far on risk management. Research adds to risk management literature while also giving policymakers suggestions for reviewing and analyzing risk management strategies. Furthermore, the research suggests risk management methods that stakeholders, particularly managers, might use to boost their organization's performance.

2.1.2 Financial Transparency and Financial Performance

The occurrence of numerous financial scandals involving European and American corporations such as Enron, Tyco, Parmalat, and others during the 2000s has sparked significant interest among investors in the matter of voluntary disclosure and transparency within the financial reporting process. Following a series of scandals, numerous restrictions and voluntary disclosures have been implemented in contemporary financial reporting. In contemporary times, the realm of financial reporting has evolved into a multifaceted concept that extends beyond the mere presentation of financial statements. Investors are currently directing their focus towards efficacy of practices of organizational governance, in addition towards the aspects of transparency and information disclosure.

Financial transparency refers to the comprehensive revelation of financial information with the aim of mitigating information asymmetry among companies. The fundamental principle underlying every corporate governance system is centred on the objective of ensuring accurate financial reporting, achieved by adherence to intricate accounting rules and other regulatory obligations on a global scale (Fung, 2014). Full and timely disclosure of financial data facilitates the pursuit of shareholders' objective of wealth maximisation, since it ensures that any illicit activities are subject to appropriate scrutiny, hence restricting top management' ability to prioritise their personal interests. Investors can make educated investment decisions and lower financing costs by having access to greater financial transparency. This is achieved by being well-informed about the appropriate choice of capital, leading to a drop in the liquidity premium.

There is mandated and voluntary information that businesses must provide in their annual reports. According to He, Plumlee and Wen (2018) yearly reports are required to provide certain types of information per laws, rules, and accounting standards. But it's up to management to decide what kinds of optional information to include in the annual report. Financial disclosure helps the capital market run smoothly by informing investors about a company's strengths and weaknesses. It improves communication with investors by making revealed information of higher quality, guarantees optimal deployment of capital, and lowers capital expenses. When a company's management chooses to provide financial information beyond what is required by GAAP and SEC regulations, this is known as voluntary financial disclosure. Readers of the company's annual reports are believed to benefit from this supplementary data when making decisions. This study focused on voluntary information that businesses must provide in their annual reports while the

current study investigated the influence of transparency on financial performance of Kenyan insurance companies.

A study conducted by Standard & Poor's investigates the openness and disclosure practices of prominent publicly traded firms worldwide. Transparency and disclosure play integral roles in corporate governance, since they provide essential elements for keeping corporate stakeholders well-informed about the management practises employed by a corporation. Furthermore, empirical research indicates that enhanced disclosure practises have a beneficial effect on the effective operation of financial markets. Anagreh, Al-Matari, Al-Homaidi, Tabash and Senan, (2021) looked at the relationship between self-reported financial success and the amount of voluntary disclosure. A fixed effect regression model was adjudged to have the best fit according to the Hausman test results. An negative connection that was in negative was established among amount of voluntary disclosures and stated performance levels, according to the study's findings.

However, the regulatory systems in Islamic differ from those in other nations.

The quantity of voluntary disclosure found in 2009 annual reports was investigated empirically by Agyei-Mensah (2012) to assess the influence of financial performance indicators. Factors such as liquidity, profitability, debt equity ratio, and bank size were incorporated in these indications. One hundred and twenty-one rural banks in Ghana were the focus of this investigation. The amount of voluntary disclosure was evaluated in this study using a 27-item checklist. This checklist was constructed using the unweighted (dichotomous) scoring method, which was applied in a previous research. The study's overarching goal was to use normal minimum square regression inquiry to determine relationships among various self-determining

factors and amount of voluntary disclosure. There were a lot of parameters considered, including the size of the auditing firm, the bank's profitability, the liquidity of the institution, and the debt-to-equity ratio. Studies have shown a favorable correlation between transparency and the profitability metric Return on Capital Employed (ROCE). Disclosure amount, audit firm size, liquidity (current ratio), debt equity ratio, and bank size (net asset value) did not connect statistically significantly. This study was on quantity of voluntary disclosure found in 2009 annual reports whereas the current study investigated the influence of transparency on financial performance of Kenyan insurance companies

Jullobal and Sartmool (2014) set out to do just that: find out whether an institution's wellbeing is proportional to amount of voluntary disclosure it makes in its annual report. They looked at 34 different firms over the course of five years, from 2009 to 2013. Researchers gathered and analyzed secondary data using a random effect tobit regression model. Voluntary disclosure and business success are strongly correlated, according to the study. It is from this disaggregated analysis that three types of data are primarily extracted: financial, non-financial, and strategic. Although there is no correlation between financial information disclosure and organizational success, there is a correlation between the voluntary communication of non-monetary and strategic evidence. Findings on previous inquiry cannot be applied to a broader context since the data characteristics were not pre- and postdiagnostically assessed prior to the regression analysis. This absence presents a risk of incorrect regression, which might impact the entire study outcome. This study sought to find out whether an institution's well-being is proportional to amount of voluntary disclosure it makes in its annual report quantity of voluntary disclosure found in 2009 annual reports while the current study was on the influence of transparency on financial performance of Kenyan insurance companies.

Data was studied by Cunha and Mendes (2017) to find out how often voluntary disclosures are correlated with financial success. There were 263 observations included in the research, which covered the years 2005–2011. From 2005 to 2011, they combed through company annual reports to collect secondary data. In order to look at how money affects voluntary disclosures, the researchers utilized an ordinal logistic model. The results show that voluntary disclosures on company governance have a negative correlation with monetary performance. This study was on how often voluntary disclosures are correlated with financial success in the years 2005-2011 while the current study investigated the influence of transparency on financial performance of Kenyan insurance companies which has a difference in time scope.

A statistically significant but positive association amongst the organization's magnitude and future growth potential and the amount of voluntary disclosures about corporate governance was established. Contrarily, prior studies have shown that financial leverage reduces the frequency of voluntary disclosures pertaining to corporate governance. One possible restriction is that the results don't account for the subjectivity that is inherent in creating the governance of corporation's index. There was a failure to include stakeholder feedback into the creation of the corporate governance index, which is the rationale for this verdict.

After looking at publicly listed firms, Sharif and Lai (2015) found that many performance measures are affected by how transparent corporate governance rules are. Leverage, dividend policy, and the likelihood of insolvency are a few of these factors. The 2012 publication of the Malaysian Code on Corporate Governance (MCCG 2012) was one possible resource for determining the precise meaning of honesty and transparency.

The performance of the company entity is enhanced by corporate transparency policies, however association amongst these policies and leverage was negative. Musyoka (2017) also

looked at the financial results of companies who freely revealed their research and development and growth and development operations. No statistically substantial connection established among degree of corporate openness and likelihood of insolvency or dividend distributions. Researchers used a correlational technique and a chosen sample strategy to choose 43 market-active firms from 2006 to 2015. In order to assess the database, regression analysis was used. Results revealed favorable and statistically important correlation amongst financial metrics, investment actions, sales growth, R&D initiatives, and financial outcomes.

An investigation was conducted by Adiloglu, Gungor, and Yucel (2018) to investigate disclosures that are essential for investors to appreciate and assess the economics that lie behind the information included in financial reports. The most crucial thing to be aware of is the connection that exists between being transparent about money and critical financial measures. To get at this conclusion, we devised a checklist for financial transparency and disclosure, and we graded companies according to the degree to which they were transparent.

For 2016, a subset of the BIST 100 publicly listed firms (not including financial institutions) had their annual reports and websites analyzed following the methodology established by Standard & Poor's (S&P). This subset's transparency and disclosure (T&D) levels were then evaluated. Statistical disparities in the group means of a large number of important financial measures related to transparency were found in the research. Companies with high-quality disclosure demonstrate more transparency and accountability with their financial resources, which is crucial for investors to have faith in. Furthermore, the research delves into the correlation between the financial success of the BIST 100 enterprises and their individual T&D ratings. This work significantly improves on present knowledge on financial disclosures. Good disclosure matters a lot to lenders and investors because it helps them balance perils and benefits deciding how to put their monies.

Additional benefit of reduced capital expenditures is high-quality disclosure. This study investigated disclosures that are essential for investors to appreciate and assess the economics that lie behind the information included in financial reports whereas the current study was on the influence of transparency on financial performance of Kenyan insurance companies.

Using the transparency of their financial data, Ibeaja, Nosiri, and Okoro (2023) studied the success of publicly listed Nigerian manufacturing enterprises. The study's aims were fulfilled by using a descriptive research strategy. A well-structured survey was used in gathering information from primary sources. One hundred fifty people who worked for five separate manufacturing companies in Southeast Nigeria made up the study sample. Using multiple regression analysis, the following conclusions were drawn from the data collected from these respondents: (i) Listed Nigerian manufacturing businesses have a better shot at producing profits when their ownership structure, board of directors, and information are current. (ii) When their structure of ownership, directors of board, and details are updated in a timely manner, listed manufacturing companies in Nigeria are more likely to be responsible by their shareholders. (iii) When their structure of ownership, directors of board, and details are all updated in a timely manner, listed manufacturing companies in Nigeria achieve significant increases in their sales.

The outcomes of the research indicate that the findings revealed that the level of financial openness had substantial impact on profits of individual businesses. If quoted firms want to improve their financial performance and narrow the information gap between them and their shareholders, they should publish all essential information and make sure that it is transparent. Corporations have the ability to take control of their financial performance by employing highly qualified, experienced, and independent managers who possess the necessary legal authority.

This may serve as a potentially powerful mechanism and a source of improvement in the organization's responsibility. This research studied the success of publicly listed Nigerian manufacturing enterprises while the current study investigated the influence of transparency on financial performance of Kenyan insurance companies.

Oino (2019) looked at how financial firms' bottom lines are affected by transparency and openness. It is critical to comprehend the impact that these factors have on a bank's loan portfolio quality, liquidity, and profitability. As further measures of corporate governance, it is critical to examine audits, compliance, and risk management. Two hundred people took part in the study; 10 people were chosen at random from each of the twenty financial institutions that made up the sample. Composite indices for financial performance indicators and corporate governance indicators were created using principal component analysis (PCA), which has the inherent power to verify for composite reliability. Each institution's unique set of questions formed the basis for these indexes. Improved risk management, more thorough audits and compliance processes, and open communication with customers all contribute to financial institutions' bottom lines, according to the study's results.

The results show that the monetary organization's performance is correlated with degree to which management operations are open and transparent. This association is statistically noteworthy. Specifically, with a 1% output, the impact will increase by 0.3046 with respect to loan portfolio quality, liquidity, and profitability. Keep in mind that for every rise in audits and compliance with banking laws, there is a 0.3305 percent improvement in banks' financial performance. The importance of transparency and candor in managerial matters is highlighted in this essay. This is because loan portfolios, liquidity, and profitability are the metrics by which financial institutions are evaluated. On top of that, this effect is considerable at the 1% level.

By enhancing these variables, the system's performance is enhanced by 0.4. This study looked at how financial firms' bottom lines are affected by transparency and openness whereas the current study investigated the influence of transparency on financial performance of Kenyan insurance companies.

The UAE's family-owned businesses were the subject of an investigation by Sadiq and Gebba (2021) into issues such corporate governance (CG), transparency, firm value (FV), and financial performance (FP). The statistics employed in this study's analysis came from sources that were secondary in nature. So as to give a thorough comprehension of data, this inquiry used descriptive statistics in addition to cross-sectional analysis. The data shows that most of the examined corporations do not provide the public access to their annual reports. Contrarily, when we look at the average revenues of both types of firms, we can see that public family businesses and private family businesses make plenty of money, but in very different ways.

One and a half times as much money comes in each year from in public transacted personal companies as from in private held household companies. The linear regression model specifies there being no correlation amongst good governance of corporations and financial performance. This study was on the UAE's family-owned businesses were the subject where issues such corporate governance (CG), transparency, firm value (FV), and financial performance (FP) were covered while the current study focused on the influence of transparency on financial performance of Kenyan insurance companies.

2.1.3 Board Composition and Financial Performance

Among the hallmarks of modern governance of corporations is the partitioning of business ownership and management responsibilities (Jiang, 2015). To enhance the growth and progress

of enterprises, business proprietors delegate the operational authority of their companies to expert managers, while retaining only the residual value rights as a means of obtaining ownership privileges. The divergence of perspectives between shareholders and management may result in managerial self-interest, prioritizing short-term gains at the expense of owners' interests and thus undermining the contractual relationship. Hence, apart from incentive pay, the allocation of shareholdings to managers serves as an effective mechanism for motivation. This practise fosters a sense of unity between management and shareholders, facilitating the advancement of their mutual interests. Consequently, managers are compelled to prioritise the longstanding growth of the company, with the addition of their personal gains, thereby contributing to the attainment of contractual objectives. As a result, managers are more likely to put the company's long-term success first when they have a stake in its stock.

According to Sabri, Tabash, Abousamak, Daniel and Asadullah (2024) the ownership structure of a corporation is a crucial determinant in defining its corporate governance system. An effective ownership structure ensures that managers have the necessary and adequate authority to fulfil their responsibilities within the realm of corporate management (Oman, 2011). The aforementioned phenomenon can be ascribed to the ownership structure, which serves as the pivotal component responsible for the decision-making process within a corporation, exerting a significant impact on the organization's choices. The primary goal of a corporation is to optimize shareholder wealth, a task that is heavily contingent upon the decision-making abilities of the company's owners.

Corporate ownership arrangements are crucial in encouraging businesses to create value in their fields by instituting control mechanisms that affect the financial performance of the corporation (Alipur, 2013; Singh, 2014). The development of a skilled labor force, improvements in

technology, and encouragement of cutting-edge ideas all contribute to this increase in value. According to Elvin, Abdul and Nik (2016), managers' discretionary actions have a systemic impact on a company's success. There are a number of factors that contribute to the formation of this relationship, including questions of ownership, the ability to choose an efficient board of directors, and the corporate governance structure used.

Between 2005 and 2013, Stanley (2015) looked at the financial performance of publicly listed Chinese banks to see how different ownership configurations affected it. This investigation's data came from publicly listed Chinese banks. There was little to no difference in performance between the two types of ownership analyzed here (state-owned and joint venture), as shown by the results of the correlation analysis. In order to make it more competitive, diversify its ownership, and attract public funding, the NSE was demutualized (2013).

The financial performance of publicly listed enterprises and the effect of alternative ownership structures were examined by Alireza, Ali, and Kazem (2011) using data gathered from the Tehran Stock Exchange from 2001 to 2006. Finding out how concentrated ownership affects business performance was the driving force for this study's use of regression analysis. There is no correlation between a company's performance and the concentration of ownership, according to the statistics. The study also found that two other characteristics had a substantial impact on the outcome. A company's performance was positively and statistically significantly affected by overall institutional ownership, but negatively by concentrated institutional ownership. So, from 2001 to 2008, Abosede and Kajola (2011) aimed to analyze the financial performance of listed Nigerian enterprises in connection to their ownership structure. Once the researchers used pooled ordinary least squares (OLS) to account for four separate firm-specific characteristics, they found that directors' ownership was statistically associated with a negative return on equity (ROE).

Chege (2013) studied commercial banks in Kenya, focusing on those listed on the Nairobi Securities Exchange (NSE), to find out how different types of ownership affected the banks' bottom lines. There was a robust correlation between profitability and foreign ownership of shares, the research found. It became clear that foreign shares were a major factor in understanding the outcomes; even small changes in foreign shares had a noticeable impact on profitability. However, bear in mind that local corporate and retail ownership is inversely related to profitability. López-Morales and Vargas-Hernández (2014) looked at what makes the connection between ownership arrangements and performance in Latin American companies.

Their findings imply that ownership structure significantly affects a company's performance due to its influence on control and allocation of resources.

Kirui (2013) conducted research to examine the correlation between the ownership structure and profitability of Kenyan banks. The research found that banks' profitability was positively and significantly affected by both domestic and foreign ownership. However, research has shown that institutional and governmental ownership of banks has a negative and statistically significant impact on their profitability. According to the study's author, commercial banks' profitability decreases when the state or concentrated entities hold them, but increases when international and local firms do. Nevertheless, Kirui (2013) had a limited scope as he just examined banks' earnings. These rules out any possibility of extrapolating the findings to include enterprises run by the state. This study examined the correlation between the ownership structure and profitability of Kenyan banks whereas the current study was on influence of board composition on financial performance of insurance firms in Kenya.

García Martín and Herrero examined the impact of directors' board composition on corporation's success in their 2018 research. This performance was evaluated using the Tobin's Q ratio and economic profitability. Board size, independence, and diversity the new Good Governance Code's pillars were their main emphasis. The diversity research used an index that takes into account the gender, age, and nationality of board members, among other factors. This is because these elements have the potential to impact the board members' expertise, understanding, and background in the field. Findings reveal that the effectiveness of advising and monitoring roles impacts board composition, and that the Good Governance Code's recommendations are mostly implemented. Results demonstrated a statistically substantial connection which was negative amongst board independence and organization success. Nevertheless, results are subjective and rely on the performance indicator you choose. This study examined the impact of directors' board composition on corporation's success in their 2018 research whereas the current study was on influence of board composition on financial performance of insurance firms in Kenya

Pathak and Chandani (2023) studied connection amongst board composition and monetary performance of BSE-500 Index companies. Additionally, the authors look at the possibility that financial success mediates the relationship between board membership and CEO compensation. Three hundred and nineteen non-financial corporations were examined using data gathered from the BSE-500 Index from 2010-2011 to 2019-2020. So as to shield corporation's bottom line from effects of the worldwide financial crisis that hit in 2007 and 2008, this time period was deliberately chosen. They have used ordinary least squares regression techniques, which take both time and fixed effects into consideration, to evaluate the hypotheses. The problems of endogeneity and

reverse causation were alleviated by using regression models with values that were one year delayed for all predicted variables. They use both OLS and the GMM approach to double-check the study outcomes. After controlling for gender diversity, the findings show that financial performance mediates all characteristics pertaining to board composition and CEO compensation. According to these results, the efficiency of a company's system of governance is heavily reliant on on board membership and executive oversight.

The board may devise a fair compensation plan linked to financial performance in order to reduce managerial opportunism. As a result, managers' and shareholders' interests may become more aligned, which might lead to better financial performance and lower agency costs. Executives may sometimes prioritize their own interests above those of the shareholders, even though they are ultimately responsible to the shareholders for the performance of the firm. Therefore, these discoveries complement literature on executive compensation and give insight into how to make management compensation plans less exploitative. Indirect and direct impacts of financial performance on the connection among board composition and CEO compensation in Indian enterprises has been the subject of very few researches. The discoveries of this work augment to the present literature on the topic of the correlation between the composition of corporate boards, financial performance, and executive compensation. Firm executives and regulatory authorities may both benefit from this information when making decisions about board membership and CEO remuneration. The results of this investigation lend credibility to the argument that forthcoming inquiry should focus on conducting larger-scale, longitudinal studies.

This research studied connection amongst board composition and monetary performance of BSE-500 Index companies while the current study was on influence of board composition on financial performance of insurance firms in Kenya.

Khan, Khan, and Zhang's 2019 study examined PSX-listed businesses' financial performance in connection to board membership. Claiming to cover the years 2014–2018, the study data collection includes the KSE-30 index. The boards were formed founded on a variety of benchmarks, like independence, diversity, board scope, and the numbers of non-executive directors (NEDs). Company size, financial clout, and seniority were the determining factors in the case. To measure how well the business was able to manage its finances, analysts looked at ROE and ROA. Regression and correlation are two examples of the statistical tools employed in the inquiry. According to regression analysis, NEDs have a substantial and beneficial effect on ROA and ROE. On the other hand, it was discovered that gender diversity was harmful. In contrast, an independent board had a beneficial effect on the company's financial success, but a large board had the opposite effect. Leverage in the financial industry was another useful part of the nexus. This study examined PSX-listed businesses' financial performance in connection to board membership while the current study assessed the influence of board composition on financial performance of insurance firms in Kenya.

According to Karaman, Uyar, and Kilic (2023), the aim of their investigation was on the implications for composition of the board and performance improvement across a range of firm sizes and levels of debt. Following the acquisition of the data from the Thomson Reuters Eikon database, the GMM estimator was used inside the processing of the data. According to the findings,

having a female director and a chief executive officer (CEO) does not improve a company's financial success, but having an independent director does. With the exception of sales revenues, which women in big businesses tend to enhance, the first moderation study pertaining to company size found that women do not drive firm performance in small or large enterprises. Conversely, bigger businesses' success was shown to be driven by independent directors. It was shown that major logistics organizations' sales revenues were significantly boosted by CEO duality. No disciplinary impact of leverage on board structure was identified in the logistics industry in the second moderation study. Implications for logistics theory, management, and policy are proposed from the results. This study was on the implications for composition of the board and performance improvement across a range of firm sizes and levels of debt whereas the current study was on the influence of board composition on financial performance of insurance firms in Kenya.

2.2 Theoretical Framework

2.2.1 Stewardship Theory

The fundamental concept underlying stewardship theory posits that managerial conduct is oriented towards the interests of the organization and driven by capitalist principles. Executives derive better satisfaction by prioritizing the needs of the organization over their individual aspirations. Moreover, Gay (2012) asserts that stewardship theory is rooted in Theory Y, an economic framework that posits humans possess an innate drive to excel and perform well. According to the theoretical framework proposed by Donaldson and Davis (2011), managers are characterized as competent stewards who are inclined to prioritize the interests of the owners. According to Smallman (2014), the utilization of shareholders' capital had an impact that was positive on efficiency of stewards. This is because effective leadership that successfully achieves goals aligns the ambitions of stewards with a shared objective.

The concept of stewardship theory posits a robust correlation between managers and the overall prosperity of the organization. Consequently, the stewards assume the responsibility of safeguarding and optimizing shareholder capital by means of enhancing business performance. The findings of Khan, Rehmat and Butt (2020) indicate that an overseer who positively increases performance and satisfies requirements of a large number of stakeholder groups within an organization is more likely to experience pleasure. This is especially true in situations when various stakeholder groups benefit from the creation of wealth inside the business. In addition, the stewardship theory proposes that position of chairperson and CEO should be combined so as to decrease the costs incurred by the agency and to strengthen the function that they play as stewards inside the firm. It is said by Alhaji and Yusof (2012) that the stewardship theory focuses an emphasis on the construction of systems that allow and empower people, as opposed to systems that only monitor and control.

The theoretical framework suggests that there is a significant degree of dependency between managers and the overall performance of the organization to which they are accountable. As a consequence of this, trustees play an essential part in protecting and developing shareholder value by concentrating on performance of a corporation. Results by Davis, Schoorman, and Donaldson (2013) indicate that when a substantial number of stakeholder groups within an organization have interests that correspond with the development of organizational wealth, a leader who successfully boosts productivity is able to address the requirements of those stakeholder groups. According to Kumudini (2011), whenever the Chief Executive Officer (CEO) occupies the role of chairperson, the power to govern the course of the corporation's future and ability to devise a corporate plan are both given to a single person. As a consequence of this, the theory goes through a transition in its emphasis, shifting its focus from surveillance

in and of itself to the underlying institutions that are responsible for conducting and promoting surveillance (Davis, 2016). As a consequence of this, the theory endorses the concept of nominating a single person to the position of CEO and chairperson, in addition to strong representation of directors who are executive directors but in possession of professional experience, rather than representatives who are not in executive positions (Clarke, 2014).

The major goal of the research was to determine how insurance companies in Kenya do financially when shareholders are treated fairly, and this hypothesis was vital to that end.

2.2.2 Agency Theory

Principals, like shareholders, and agents, like corporate leaders and managers, are defined according to agency theory. Theoretically, the owners or proprietors, also known as shareholders, of a corporation are the ones who genuinely employ agents to carry out their jobs. As delegates from the shareholders, the principles choose managers or directors to run the business (AlFaryan, 2024). Company executives and employees may pursue their own interests, if agency theory is to be believed. The agent's decisions and actions should be guided by the principle's concentration, according to agency theory. On the contrary, the agent may not prioritize the interests of the principals (Zhou, 2023). Possible causes include the agent's opportunistic behavior, misalignment of objectives with the principal's, or the agent's own self-interest. The idea of risk itself may be approached in several ways. Notwithstanding these challenges, the primary motivation for developing agency theory was to clarify the difference between control and ownership. The concept has established rules that the agents must follow in order to increase the wealth of the shareholders. This theory takes a more individualistic approach (Çakal, 2022).

Actually, the study was delving into the interplay between managerial style, board diversity, and transparency via the lens of agency theory. However, the agency model was used to align management's aims with the owners' in instances of division. Agency theory employees, argue Jensen and Meckling (1976) behave more like a limited rationality that prioritizes rewards and punishments and is self-interested.

2.2.3 Signalling Theory

As suggested by Jensen and Meckling, signaling theory also called management signalling theory is a subset of agency theory (1976). This idea was born out of a desire to understand why there is knowledge asymmetry in management systems (Morris, 1987). According to Muttalib, Danish and Zehri (2023) it is posited that individuals who hold positions of authority within a corporation possess a greater level of knowledge regarding the organization compared to individuals who do not hold such positions. Consequently, the agents possess the potential to utilise this information in order to further their individualistic objectives of maximizing personal gain. Consequently, the aforementioned theory serves foundation in implementing effective corporation governance practices, including promotion of disclosure and transparency. Managers and investors within a company possess well-defined and separate obligations to fulfil and objectives to pursue amongst the presence of divergent goals within the organization.

According to Spence (2011), using asymmetric information among a company's leaders and its investors, it is advisable for the firm to undertake measures aimed at disclosing pertinent

information to the investors, with the objective of mitigating the information asymmetry. If there is a vacuum in knowledge that remains unaddressed, investors may encounter difficulty in comprehending the anticipated state of the company's system. According to Ravid and Saring (2011), investors who lack alternative means of communication depend on the expertise of leadership to inform their strategic decision-making processes. Organizations that exhibit a heightened degree of transparency tend to achieve superior performance outcomes and cultivate a more favourable public perception as a consequence. The investigation, serving as the second objective of the investigation facilitated the use of this philosophy.

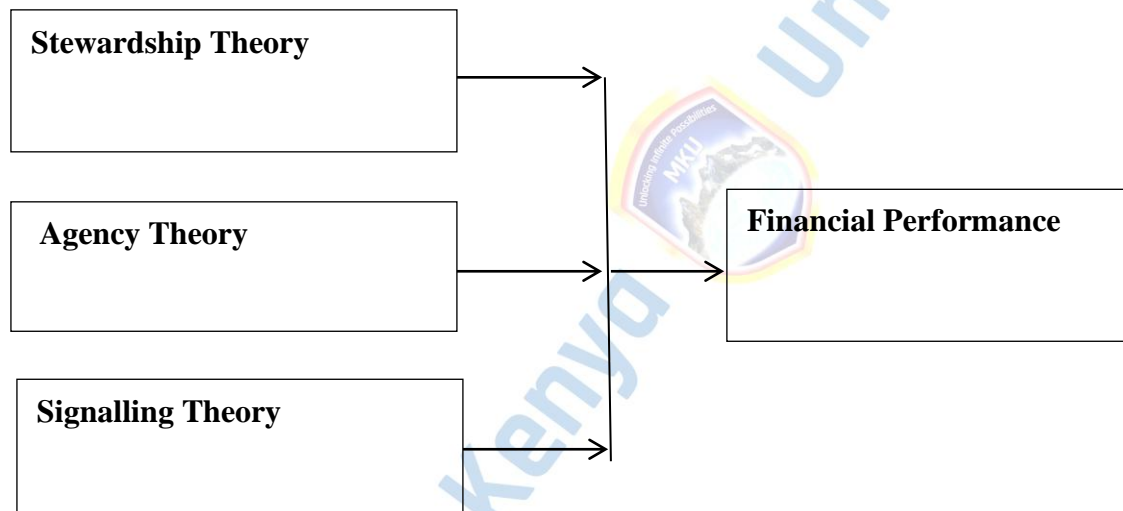
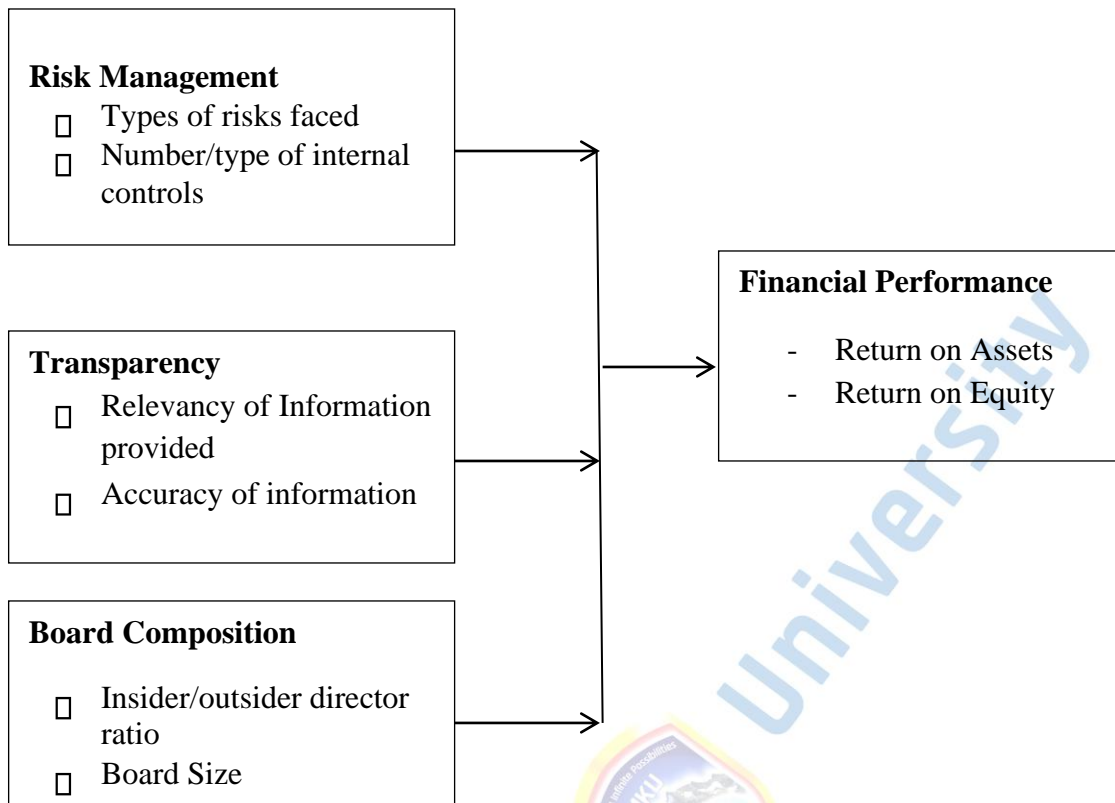


Figure 2.1: Theoretical Framework

Source: Researcher (2024)

2.3 Conceptual Framework

Agreeing to Mugenda & Mugenda (2012), a conceptual framework is a set of factors which the researchers use in order to accomplish their objectives. They go on to say that a variable is a measurable feature whose value could vary from one subject to the next.



Source: Researcher (2024)

Figure 2.2: Conceptual Framework

Financial performance, auditor competency, risk management, and compliance with audit requirements were all interdependent on one another in the insurance industry. Company performance in the face of uncertainty, compliance with regulations, and improved financial measures may be achieved via an integrated strategy that blends competent auditing procedures with effective risk management methods.

Furthermore, insurance businesses in Kenya may improve their financial performance by reducing agency difficulties and increasing transparency, especially via forward-looking information. Insurance firms may increase returns on assets and equity by establishing trust with stakeholders via the provision of accurate, timely, and transparent information. This also helps to align interests.

Insurance businesses in Kenya may rely on this strong partnership to help them succeed in the long run.

One more point: there are a lot of moving parts in the complex web that connects the board makeup of Kenyan insurance firms to their bottom lines. Board size, the ratio of insiders to outsiders, and other factors all have an impact on how decisions are made and the overall course of the corporation's strategy. The monetary performance of insurance businesses may be improved with a balanced board composition structure and a supportive regulatory environment.

This would help ensure sustainability and meet market requirements.

2.4 Research Gap

Despite Kenya's robust regulatory frameworks that safeguard insurance businesses, Mang'unyi said in 2014 that the industry's corporate governance was lacking. Ocharo, Kiptoo, and Kariuki (2021) looked studied the impact of corporate governance on the financial performance of Kenyan insurance businesses using data gathered from 2013-2018. As we near the year's close, 51 insurance businesses in Kenya have valid licenses. These figures are derived from surveys that were sent to these companies. Corporate governance has a substantial impact on insurance companies' bottom lines, according to regression study. To rephrase, the results showed that the number of board members had a negative and statistically significant correlation with the organization's financial performance. Companies with a more diverse board of directors performed better financially, the research found.

Furthermore, the data clearly demonstrate that having an impartial board of directors has a significant positive impact on a company's bottom line. The impact of corporate governance on the productivity of insurance businesses in Nairobi City County, Kenya was examined by

Nyagwoka and Muchelule (2023). A study conducted in Nairobi City County, Kenya, found that when directors were given more power, insurance companies' bottom lines increased dramatically. Nairobi City County, Kenya, insurance companies may have done better in light of their location if they had been more structured. Businesses, especially those vital to the state's economy, have been the subject of little research on the link between sound corporate governance and their bottom lines, despite rising public curiosity.

In a study conducted by Miring'u (2016), it was shown that return on equity was positively correlated with board size, duality of board and CEO, and company ownership by the state. Consistent with previous research, this study found that insurance company boards of directors should consider an important factor when advocating for good corporate governance practices (Miring'a, 2015). Allocating enough resources to exert control over senior management and constructing an appropriate institutional, legal, and economic framework are all parts of this component. Ochido and Njoroge (2023) set out to study how state-run businesses fared in relation to corporate responsibility. Financial openness, shareholder rights, and performance were determined to be symbiotic, according to the research. Financial success is significantly related to the treatment of shareholders. Protecting shareholder rights and treating shareholders fairly affects the Kenya Power and Lighting firm's disclosure, financial transparency, and performance. Insurance companies' financial performance was significantly associated with the examined corporate governance norms, even after controlling for variables like late financial reporting and regulatory noncompliance. This sort of study is needed to fill a knowledge vacuum by determining whether and how corporate governance issues affect the financial performance of Kenyan insurance companies.

2.5 Literature Recap

Within the framework of Kenya's insurance business, this literature analysis aimed to assess the link between fiscal success and good corporate governance. This relationship was examined from the vantage point of several influential theoretical frameworks, including ownership structure, financial transparency, stewardship theory, and signaling theory.

According to stewardship theory, managers should maximize company value and prioritize shareholder interests in order to establish successful corporate governance. The literature probably addresses the topic of how stewardship concepts, when applied to the Kenyan insurance industry, might improve financial performance via the assurance of accountable and valuemaximizing management choices.

Firms can educate external stakeholders about their governance procedures and financial health through various signals, according to signaling theory. Research in Kenya's insurance industry might delve into the ways in which companies show their dedication to good financial management, openness to public scrutiny, and responsibility through corporate governance structures and procedures, and how this translates into bottom-line results. A key component of good company governance is financial transparency. Financial reporting and disclosure methods that are open and honest can win over investors, policyholders, and everyone else with an interest in Kenya's insurance market, according to the literature. Better decision-making and financial results are two outcomes that may be discussed in the review as a result of increased financial openness.

Governance at a company is highly related to the make-up of the board of directors. In Kenya, the insurance industry's bottom line is affected by a lot of factors, including how well governance mechanisms work. Considerations such as board size, gender and age diversity, and ownership structure (institutional, family, or public) are important.

Kenyan insurance companies' bottom lines may be better understood after perusing the research on the effects of stewardship principles, ownership structures, financial transparency, corporate governance practices, and signaling mechanisms on these companies' bottom lines. To show how critical strong leadership was to the long-term financial health of the insurance business was the primary objective of the investigation.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this section, the steps that were taken to carry out the study were discussed. Methods used to gather and analyze the data, as well as the study's design and sample design, were covered in this chapter.

3.2 Research Design

According to Castaldo (2016), scientists study whole collections, or populations, to collect data that relevant organizations may exploit. The process of creative inquiry not only leads to the creation of descriptions but also assists in organizing discoveries for the purpose of explanation. The next step is to verify or disprove these hypotheses (Kothari, 2014). The study examines the current state of affairs regarding the extent to which insurance enterprises adhere to corporate governance standards and the impact of these practices on ROE and ROA by using a descriptive survey approach. The design was good because it was valid, reliable, and applicable to a wide range of situations. This design stands out from the competition because to its cost-effectiveness and efficiency in data collection, which allows for considerably lesser spending and a shortened duration to gather information. There is little change in the variable attributes over the short data collecting period. Questions like "who is involved?" "what is something?" "when did it happen?" and "where did it happen" are also addressed.

3.3 Target Population

Population definition is an entire collection that is studied by scientists in order to gather data that can be used by relevant organizations (Castilo, 2016). A "population" may also refer to a group of things, events, or people that share some quality. One thousand sixty-five department heads from 49 insurance companies based in Nairobi City County made up the study's target population and analytical unit.

3.4 Sampling Design

The process of selecting study participants or responses is known as sample design (Kothari, 2014). Consistently picking a certain number of components from a theoretically defined population is what's known as sampling. The objective is to generate generalizations that apply to everyone. If a sample design can faithfully portray the characteristics of the population it is meant to reflect, then it is effective (Kothari, 2014). In this research, a representative sample of insurance firms was obtained by using the basic random sampling approach. In order to collect data from this survey, a basic random sampling procedure to choose individuals to fill out the questionnaire was used. The rule of statistical regularity was maintained by random sampling, according to Kothari (2014), since characteristics and proportions of a randomly formed sample were similar to those of the whole population.

Kothari (2014) and Creswell (2017) both state that in order to make valid generalizations about the researched population's overall features, a sample size between 10% and 15% is enough. The unit of inquiry was a randomly chosen sample of 282 persons from all 49 regulated insurance providers; this represents 26% of the desired population and satisfies all requirements. This researcher watched over the sample distribution to make sure it's fair and objective.

3.5 Data Collection Instruments and Procedures

Agreeing to Creswell (2014), data collection is the progression of systematically collecting material from people who are recognized as being involved in a research project. "What is the relationship between corporate management practices and financial performance of insurance companies in Kenya?" was the research question that was addressed by this study, which gathered primary and secondary data. The audited and registered financial statements and annual reports of

insurance businesses in Kenya were reviewed using a data abstraction tool as a means of gathering secondary data. Collection of information in primary for was by questionnaire.

Respondents were asked to fill out their own surveys in order to gather data. The researchers delivered the questionnaires to the offices of participants. Collection of information was by researcher once the participants had received the questionnaires. To find out how many people responded, the coding process was used to make a connection between the surveys that were sent out and those that were returned.

3.6 Pilot Study

A pilot research definition by Beck, Ross, and Norman (2012) as a first examination carried out on a smaller scale, acting as a preparation step before a bigger and more thorough study. A 10% subset of the whole population was used for the preliminary inquiry among insurance firms operating outside Nairobi County. Reliability analysis was employed to thoroughly evaluate questionnaire's uniformity internally. In order to ensure reliability and validity, Riel (2010) suggests using a 10% representative sample for the pilot test. The main inquiry was not using the pilot test's findings.

3.5.1 Reliability Test

Shanghverzy (2011) states that one common method for assessing reliability, which is the consistency of measures, is the test-retest strategy. Several factors contribute to the reliability of the measure, including a large and representative sample, consistent testing procedures, and the inclusion of several related characteristics. Ten members of those targeted were chosen to sever as the group for piloting in determination of how reliable the tool of study was.

Research equipment underwent a pre-testing phase as part of the preliminary investigation. Raising the profile of the instrument's components was thought to be crucial for bolstering the reliability and validity of the instrument. The main objective was to adjust the tool so that they accurately measure the specified structures.

3.5.2 Validity Test

The degree to which a subset of items faithfully reflects the whole data set from a test is known as validity, according to Berg and Gall (2016). Research was conducted to determine the content's veracity. The researcher first verified the surveys' validity and reliability. This study adheres to Amin's (2005) content validity formula, following previous research (Cull, Deigurckunt & Morduch, 2013, Lefort & Urzua, 2008). If you follow these steps, you should be able to figure it out: For each item, divide the total number of judges who had declared it legitimate by the total number of items to get the Content Validity Index (CVI). According to Amin (2005), research instruments had content validity index (CVI) of 0.78 or above. The accuracy of the instrument's sound was also double-checked by at least three experts.

3.7 Data Analysis and Presentations

The study drew on quantitative and qualitative techniques as part of a mixed-methods strategy. Several steps were taken to handle the incoming survey data, including identifying outliers, editing, categorizing, coding, and tabulating. Statistical Package for the Social Sciences (SPSS) was employed in analyzing inferential and descriptive statistics of quantitative data. Descriptive statistics aimed to describe the outcomes in great detail by quantifying every component of a sample, as a quantitative tool. "Inferential statistics" is a way of describing how to generalize findings from a smaller dataset to a bigger one. Kenyan insurance companies' bottom lines are

affected by a lot of different things. In order to determine these factors, the researcher used multiple regression analysis. The analytical approach used in the research was multiple regressions since they are both relevant and simple to grasp. Just because it was a statistical technique for finding relationships between different variables didn't alter that. Finding the linear model that, when fed a set of independent variables, yields the best predictions for the dependent variable was the goal of this method (Beal, 2005), the equation was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Whereby **Y** = Financial Performance

B₀ = Intercept

X₁ = Risk Management

X₂ = Transparency

X₃ = Board Composition **β₁, β₂,**

β₃ and **β₄** are Coefficients

ε is the error term

The relationship between financial performance and the independent variables of risk management, transparency, and board composition was examined using multiple regression models. The significance threshold was set at 5% and the confidence level at 95%. The major purpose of the research was to evaluate the financial efficiency of insurance companies in Kenya. Tables, figures, frequencies, and percentages comprised the quantitative data, whereas prose and a content analysis method were used to portray the qualitative data.

3.8 Ethical Considerations

Researchers are supposed to follow a set of standards known as ethics when conducting their study (Mugenda & Mugenda, 2012). Careful attention to all research protocols, particularly those involving human beings, was maintained at all times. Stressing that the research was not done for one's own benefit and that great care was given to the human subjects is essential (Mugenda & Mugenda, 2012). In addition, research approval was sought before beginning the project. Therefore, before to commencing the inquiry, the researchers got the necessary permissions from Mt. Kenya University and the National Council of Science, Technology and Innovation. Other ethical considerations were given due consideration, including the protection of confidentiality and identity, the importance of participants' free will, and the need to treat respondents fairly. This means that those who felt uncomfortable throughout the study chose not to take part if they so choose. The researcher made sure that all data obtained was kept strictly secret and only used it for study purposes.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The results and their justification are both presented in this chapter. Examining how corporate governance regulations in Kenya affect the bottom lines of insurance companies was one of the

main goals of the study. Relevant to the study's overarching goals are the results of the analysis. Additionally, we will assess the effects of board composition, risk management, and transparency on the financial performance of Kenyan insurance businesses, as well as their overall financial management and performance. Along with this, we will also conduct the assessments that were discussed before.

4.2 Response Rate

The study was interested in finding out the response rate before proceeding with analysis. The study results are as depicted in Table 4.1.

Table 4.1 Rate of Response

Category	Frequency	%
Response Rate	229	81.2
Non-Response	53	18.8
Total Targeted Sample Size	282	100

Source: Field Data (2024)

As shown in Table 4.1 an 81.2% response rate was achieved when 229 out of 282 questionnaires given to managers of insurance businesses in Kenya with headquarters were filled out and returned for examination. According to Winner and Dominick (2006), a self-administered questionnaire with a response rate of 21–70% is considered sufficient for further study since it ensures accuracy and reduces bias.

4.3 Demographic Characteristics of the Respondent

The results of the study and an analysis of how those results relate to the individuals' private data are presented in this section. Tables and figures were used to display the findings.

4.3.1 Gender Composition

The study sought to establish the gender composition of the respondents. The information on gender amongst the respondents was summarized in Figure 4.1.

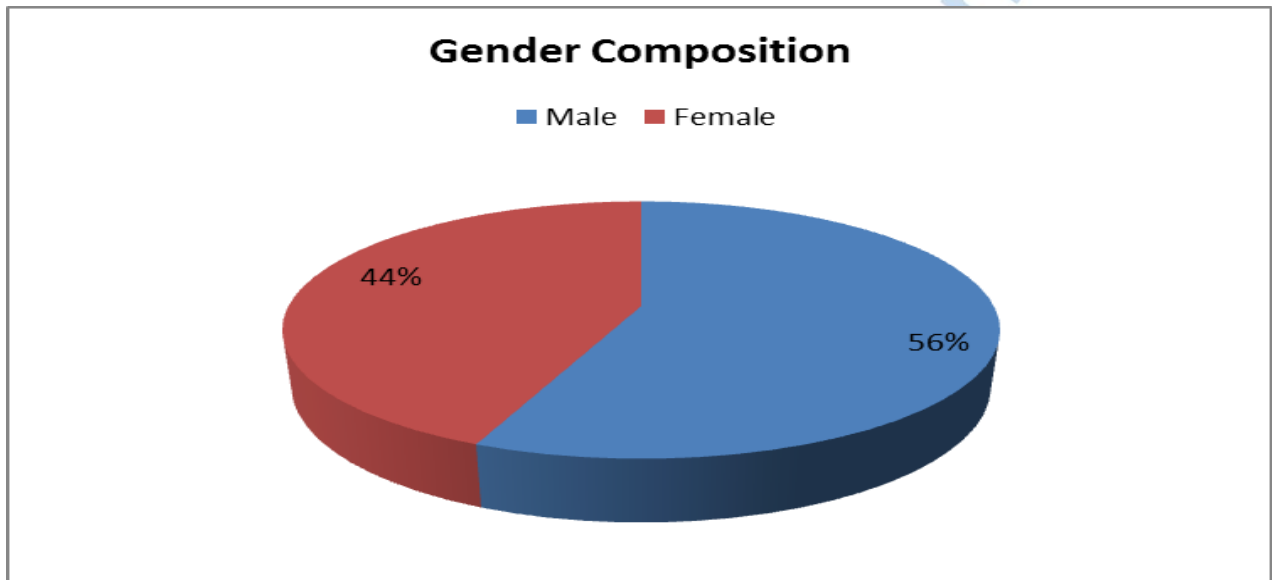


Figure 4.1 Gender Composition

Source: Field Data (2024)

As shown in Figure 4.1, the analysis showed that out of the 229 respondents, 129 were male, accounting for 56%, and 100 were female, representing 44%. The results show that there was a good representation of both sexes in the research population. In Kenya, the majority of insurance company executives were males.

4.3.2 Highest Level of Educational Qualifications

Respondents' greatest degree of education was one of the research questions aimed at answering.

Table 4.2 displays the study's outcomes.

Table 4.2 Highest Level of Educational Qualifications

Highest Level	Frequency	Percentage
Diploma	7	3.0
Degree	100	43.7
Master	63	27.5
Others	59	25.8
Total	229	100

Source: Field Data (2024)

Based on the data shown in Table 4.2, the majority of respondents (43.7%) said that they had a bachelor's degree or higher as their greatest level of education, while a smaller percentage (27.5%) indicated that they had a master's degree or above. A total of 25.8% of the participants had advanced degrees such as a PhD or postgraduate diploma, while 3.0% held just a diploma, according to the data. Due to competitive market dynamics, all of the insurance businesses examined in this research recruited highly qualified individuals with the necessary expertise for managerial roles, according to the study's findings. Since managers tend to have greater experience and education in the insurance sector, this is vital to the study's credibility.

4.3.3 Work Experience

The researcher wanted to know how long people had been with their present insurance companies, therefore they asked this question. You may find a summary of the job experience in Table 4.3.

Table 4.3 Years Worked

Years Worked	Frequency	Percent
1-4 years	26	11.4
5 -9 years	124	54.1
10-14 years	62	27.1
Above 15 years	17	7.4
TOTAL	229	100

Source: Field Data (2024)

As indicated in Table 4.3, about half of the people who took the survey had worked in the industry for five to nine years, while a quarter had been there for ten to fourteen, and a small percentage had been there for one to four years. Most of the people who took part in the survey had been working for insurance companies for over five years, so it's safe to assume that they knew their way around the business. Their background in corporate governance norms and the effect they may have on the bottom lines of Kenyan insurance companies lend credence to the results.

4.4 Descriptive Analysis

4.4.1 Risk Management and Financial Performance

Finding out how risk management affects insurance firms' bottom lines in Kenya was the driving force for this study. Participants were asked to rate their level of agreement or disagreement with

the statement that financial performance is impacted by risk management components in order to get this information. Table 4.4 provides a synopsis of the responses.

Table 4.4 Risk Management Aspects

Aspect	N	Mean	Std. Deviation
Identification of types of risks faced by the organization and grouping them into financial, operational, reputational among others	229	4.6167	0.52373
The number/type of risk internal controls the 229 organization has put in place		4.1667	0.76284
Companies are urging their boards of directors to listen to management teams' assessments on the level of risk their businesses can afford.	229	3.8833	0.76117
The organization having mechanisms that identify, assess, and mitigate risks that could negatively impact the company and stakeholders	229	3.5333	0.85304
The organization providing for sound strategic planning and better risk management	229	4.0124	0.75131
Aggregate score		4.0425	0.73042
Valid N (listwise)	229		

Source: Field Data 2024)

Table 4.4 shows that out of all the possible scores, the average was 4.0425 and the standard deviation was 0.7304. This suggests that respondents usually think risk management does have an effect on financial success. With an average score of 4.6167 and a standard deviation of 0.52373, the findings demonstrate that organizations have recognized and classified the many hazards they encounter. Some examples of these risks include those pertaining to finances, operations, and reputation. The research suggests that the majority of insurance organizations have put risk internal controls in place. There were a mean of 4.1667 hazards and a standard deviation of 0.76284 across all risk categories. With an average score of 3.8833 and a standard deviation of 0.76117, respondents were in agreement that their businesses are pushing their boards of directors to take into account the risk assessments made by management teams on the degree of risk that their companies can afford. This was the general consensus among respondents, as seen in the poll.

The data shows that, on average (with a standard deviation of 0.85304), respondents thought their companies had processes in place to find, evaluate, and lessen the impact of risks that may hurt the business and its constituents. With an average score of 4.0124 and a standard deviation of 0.75131, the respondents were in agreement that their organization had solid strategic planning and competent risk management. This implication of this is that insurance firms in Kenya need to take into consideration the influence of risk management since this has an influence on their financial performance. This is in tandem with the results by Ewa and Udoayang (2012) who investigated the influence that the internal control architecture has on the effectiveness of Nigerian banks in investigating staff fraud and lifestyle-related

fraud. One hundred and thirteen different banks in Nigeria provided the information that was gathered for this research. The information was gathered using questions based on Likert ruler that offered four different responses. Percentages and ratios were used in the process of doing further analysis on the data that was gathered. According to the research, the design of internal controls influences employees' views on fraud. More specifically, a poor internal control system might raise the likelihood of fraud whereas a good one can deter staff from engaging in fraudulent behavior

4.4.2 Transparency and Financial Performance

This research aimed to find out how much of an impact transparency has on the bottom lines of Kenyan insurance firms by having participants assess how much they agree or disagree that transparency factors affect bottom lines. The study results are as presented in Table 4.5.

Table 4.5 Transparency Aspects

Aspect	N	Mean	Std. Deviation
The organization provides relevant information to stakeholders	229	4.5167	0.72467
The organization considers the accuracy of information provided	229	4.3167	0.74769
If a decision affects the material health of the organization, stakeholders are made aware in a timely manner	229	4.0667	0.73338
The company provides timely information to the			

stakeholders about the company's performance	229	3.9011	0.68147
All employees within the company align their efforts under the management's guidance, focusing on a common objective	229	4.6731	0.76947
Aggregate score		4.2948	0.73133
Valid N (listwise)	229		

Source: Field Data (2024)

Table 4.5 displays the study's findings; an overall mean score of 4.2948 with a standard deviation of 0.73133 indicates that, on average, respondents agreed that openness affects financial success. Almost all respondents (4.5167 on the mean and 0.72467 standard deviation) believe that the company provides valuable information to its stakeholders. With a mean score of 4.3167 and a standard deviation of 0.74769, the majority of respondents felt that their firms consider the dependability of the data provided. The majority of respondents also agreed that stakeholders are quickly notified when choices damage the organization's material health, with a mean score of 4.0667 and a standard deviation of 0.73338, according to the poll.

Table 4.5 reveals that most respondents think their company keeps stakeholders informed about its performance in a timely way. The mean score was 3.9011 and the standard deviation was 0.68147. In addition, although the standard deviation was 0.76947 and the mean was 4.6731, all respondents agreed that their company's employees work together in harmony under management's direction to achieve a common goal. These results show that the element of transparency as a rule and law that regulate corporate governance is an important aspect for firms. Thus Kenyan insurance firms need to ensure that they operate in a transparent way if they seek to improve on their financial

performance a fact collaborated by Cunha and Mendes (2017) who sought to find out how often voluntary disclosures are correlated with financial success.

There were 263 observations included in the research, which covered the years 2005–2011. From 2005 to 2011, they combed through company annual reports to collect secondary data. In order to look at how money affects voluntary disclosures, the researchers utilized an ordinal logistic model. The results show that voluntary disclosures on company governance have a negative correlation with monetary performance.

4.4.3 Board Composition and Financial Performance

This research aimed to determine whether or not insurance companies in Kenya were impacted financially by the makeup of their boards of directors by having participants evaluate how much they agreed or disagreed with the statement. Table 4.6 shows how the respondents ranked the factors of board composition that affect the financial performance of Kenyan insurance businesses.

Table 4.6 Board Composition Aspects

Aspects	N	Mean	Std. Deviation
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The organization balance between insider/outsider director ratio	229	4.2167	0.71525
The organization engages stakeholders in the selection of board size	229	4.1833	0.70089
The organization guideline on the executive/non-executive directors ratio	229	4.1833	0.87317
The company focus on age and gender diversity among board members	229	3.6000	0.6938
The organization clear definition of accountability and responsibilities of board members	229	4.3318	0.81773
Aggregate score		4.1030	0.76017
Valid N (listwise)	229		

Source: Field Data (2024)

The study's results are shown in Table 4.6. The average score was 4.1030 with a standard deviation of 0.76017, suggesting that, on the whole, respondents believed that variables pertaining to the makeup of the board affect the financial performance of insurance firms in Kenya. The results demonstrate that the respondents think their company has a balanced ratio of outside directors to insiders, with a mean score of 4.2167 and a standard deviation of 0.71525. With an average score of 4.1833 and a standard deviation of 0.70089, the data show that most respondents think their company includes stakeholders when deciding on board size. The majority of respondents believed that their organizations had a guideline on the ratio of executive to non-executive directors, as shown by a mean score of 4.1833 and a standard deviation of 0.87317.

The poll also finds that most respondents believe their firm values gender and age diversity on the board, with a mean score of 3.6000 and a standard deviation of 0.6938. The results show that most respondents thought the responsibilities and tasks of board members were well defined in their organizations (mean = 4.3318, standard deviation = 0.81773). The implication of this findings are that board composition has an influence on financial performance of insurance firms in Kenya. Therefore, management of insurance firms need to privy to the fact having the right board composition is a benefit to the organization. This collaborates the findings by García Martín and Herrero who examined the impact of directors` board composition on corporation's success in their 2018 research. Findings reveal that the effectiveness of advising and monitoring roles impacts board composition, and that the Good Governance Code's recommendations are mostly implemented. Results demonstrated a statistically substantial connection which was negative amongst board independence and organization success.

4.4.4 Financial Performance

The study sought to determine the extent to which respondents agreed/disagreed with financial performance measures. These results are as elaborated in Table 4.7.

Table 4.7 Financial Performance Measures

Measures	N	Mean	Std. Deviation
The organization is has continuously improved on its in profitability	229	3.850	0.73569

The organization seen increases in net income	229	4.2833	0.76117
	229	4.3667	0.7089
The organization has witnessed total assets growth over the years			
	229	3.3167	0.79173
The organization has improved shareholder equity over the years			
	229	3.590	0.7098
The organization is has continuously improved on its in profitability			
Aggregate score		3.881	0.7415
Valid N (listwise)	229		

Source: Field Data (2024)

The majority of respondents, on average, had negative opinions of the financial performance measures that were evaluated in this study. Table 4.7 shows that the whole aggregate mean score was 3.881, with a standard deviation of 0.7415. There seems to be widespread disagreement among respondents (3.751 with a standard deviation of 0.73569) about the assertion that their company's profitability has been steadily rising. And with a standard deviation of 0.76117 and a mean score of 4.2833, all respondents agreed that their companies' net income had increased. The majority of respondents believe that their company's total assets have improved over time, as shown by a mean score of 4.3667 and a standard deviation of 0.7089.

Approximately three-quarters of respondents (Mean score=3.3167; SD=0.79173) and a third of respondents (Mean score=3.590; SD=0.7098) did not think that their company had increased shareholder equity or increased profitability over the years.

4.5 Inferential Analysis

Several diagnostic procedures were used. However, diagnostic tests were performed to explore the basic predictions of the multiple linear regressions before the analysis was conducted. Here are the findings from the diagnostic tests:

4.5.1 Test of Normality

According to Ghesami and Zahediasi (2012), a lot of statistical methods that are used to analyze data assume that the data is normally distributed. The amount of deviation from the standard was determined using the Shapiro-Wilk normalcy test, which is the most often used test. Table 4.8 contains the results.

Table 4.8 Tests of Normality

	Tests of Normality					
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Risk Management	.169	229	.000	.941	229	.006

Transparency	.217	229	.000	.720	229	.000
Board Composition	.196	229	.000	.870	229	.000
Financial Performance	.167	229	.000	.938	229	.004

a. Lilliefors Significance Correction

Source: Field Data (2024)

The results will support accepting the null hypothesis if the p-value is less than 0.05. The data was deemed to have a normal distribution since, across the board, $p > 0.05$.



4.5.2 Test of Linearity

Table 4.9 Tests of Normality on Risk Management

ANOVA Table

	Sum of Squares	df	Mean Square	F	Sig.
--	----------------	----	-------------	---	------

		(Combined)	7.470	10	.747	4.300 .000
	Between					
			2.826	1	2.826	16.263 .000
Financial	Groups	Linearity				
		Deviation from	4.645	9	.516	2.970 0.7
Performance *		Linearity				
Risk Management	Within Groups		8.513	218	.174	
	Total		15.983	228		

Source: Field Data (2024)

Table 4.9 shows that there is a linear connection between risk management and insurance company financial performance, with a value of deviation from linearity of 0.7, which is more than 0.05.

Table 4.10 Tests of Normality on Transparency

ANOVA Table					
	Sum of Squares	df	Mean Square	F	Sig.

		(Combined)	8.213	8	1.027	6.739 .000
Financial Performance *	Between	Linearity	4.097	1	4.097	26.893 .000
	Groups	Deviation from Linearity	4.116	7	.588	3.859 0.2
Transparency	Within	Groups	7.770	218	.152	
	Total		15.983	228		

Source: Field Data (2024)

No correlation between insurance businesses' financial success and their level of transparency was found, as shown in Table 4.10, where the value of the sig deviation of linearity is $0.2 > 0.05$.

Table 4.11 Tests of Normality on Board Composition

ANOVA Table						
		Sum of Squares	df	Mean Square	F	Sig.

		(Combined)	7.500	9	.833	4.912	.000
Financial Performance	Between Groups *	Linearity	3.530	1	3.530	20.809	.000
		Deviation from Linearity	3.970	8	.496	2.925	0.9
Board Composition							
		Within Groups	8.483	218	.170		
		Total	15.983	228			

Source: Field Data (2024)

Table 4.11 shows that there is a linear link between the makeup of insurance boards and their financial performance, with a significant departure from linearity value of $0.9 > 0.05$.

4.5.3 Multi - Collinearity Test

When regression model variables are strongly linked with one another, we say that the model is multi-collinear. The ability to ascertain the impact of independent variables on dependent ones is compromised when multi-collinearity introduces bias into the data (Kleinbaum et al., 2007). Calculating Variance Inflation Factors (VIF) allowed us to assess multi-collinearity. According to Neter et al. (1985), multi-collinearity is indicated by a VIF score larger than 10. There was no indication of multi-collinearity in the data used for this investigation, since the VIF values ranged from 2.9 to 1.478, which falls within the acceptable limit. In Table 4.12, you can see the results.

Table 4.12 Multi – Collinearity Test

Coefficients ^a	

Model		Unstandardized		Standardized	t	Sig.	Collinearity	
		Coefficients		Coefficients			Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.078	.606		.129	.898		
	Risk Management Transparency	-.025	.146	-.025	-.174	.863	.484	2.068
	Board Composition	.075	.151	.084	.494	.623	.345	2.900
		.353	.145	.331	2.425	.019	.535	1.868

a. Dependent Variable: Financial Performance

Source: Field Data (2024)

4.6 Multiple Regression Analysis

In relation to multiple regression analysis Table 4.13 and Table 4.14 presented the regression model.

Table 4.13 Model Summary

Model Summary ^b						
			Adjusted	Std.	Change Statistics	

Model	R	R Square	R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.673 ^a	0.453	0.413	0.39884	0.453	11.369	4	224	0.000	2.036

a. Predictors: (Constant), Risk Management, Transparency, Board Composition

b. Dependent Variable: Financial Performance

Source: Field Data (2024)

Table 4.13 displays the R-squared value and the significance level of the model. Because the PValue is 0.00, which is more than 0.05, the model is statistically significant at the 95% confidence level. The R-Squared value indicates that 45.3% of the variation in the dependent variable can be explained by the model. Corporate governance policies are one example of an independent variable that may account for the remaining 54.7% of the variance in financial performance.

Table 4.14 Coefficient of the Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Lower Bound	Upper Bound
(Constant)	0.078	0.606		0.129	0.898	-1.136	1.292

Risk Management	-0.03	0.146	-0.025	-0.17	0.863	-0.318	0.267
Transparency	0.075	0.151	0.084	0.494	0.623	-0.229	0.378
Board Composition	0.353	0.145	0.331	2.425	0.019	0.061	0.644

a. Dependent Variable: Financial Performance

Source: Field Data (2024)

The model coefficients and their relevance are shown in Table 4.14 together with the research findings. The following regression model was used to summarize the study's results:

$$Y = 0.078 - 0.03X_1 + 0.075X_2 + 0.353X_3 + \varepsilon_i$$

Where

Y = Financial Performance β_0 =

Constant Term $\beta_1, \beta_2, \beta_3$ and β_4 =

Beta coefficients

B₀ = Intercept

X₁ = Risk Management

X₂ = Transparency **X₃** = Board Composition ε_i = Error term - refers to any changes

in the dependent variable that are not considered in the model utilized.

According to the approach, insurance firms in Kenya may improve their financial performance by increasing transparency and improving the makeup of their boards. But there was a negative correlation between effective risk management and bottom-line results.

4.6.1 Analysis of Variance

Analysis of variance on the three predictor variables was undertaken and the outcomes are presented in Table 4.15.

Table 4.15 ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7.234	4	1.809	11.37	.000 ^b
1	Residual	8.749	224	0.159		
	Total	15.983	228			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Risk Management, Transparency, Board Composition

You can see the results of the analysis of variance and the model's significance in Table 4.15. The results are in line with a 95% confidence level since the P-Value is greater than 0.05, which is 0.000b.

According to the findings in Table 4.14, the predictor variable for risk management does not have a statistically significant relationship ($P = 0.863$) at the 95% confidence level. A coefficient of -0.03 was found for risk management. Since this proves that risk management lowers financial performance, it follows that insurance companies in Kenya would see a drop in their bottom line as a result of heightened risk management. This contradicts the findings of Ndung'u (2013), whose research aimed to determine the impact of financial risk management on the profitability of Kenyan oil businesses. Profitability was shown to be strongly correlated with financial risk management strategies used by oil corporations in Kenya, according to the study. Aebi, Sabato, and Schmid's 2012 research on the effectiveness of financial institutions' risk management and corporate

governance in the wake of the 2007–2008 financial crisis found similar outcomes. A total of 372 separate US-based financial institutions were included for the analysis. In contrast to risk management's robust correlation with financial success, corporate governance's effects on bank performance were either insignificant or negative.

In Table 4.14, we can see that the P-value of 0.623 for the transparency predictor variable is not statistically significant. It was determined that the transparency coefficient was +0.075. More openness would not substantially boost insurance businesses' bottom lines, indicating a small but favorable association between financial performance and transparency. This research found no correlation between voluntary disclosures and financial benefit, which contradicts the findings of Cunha and Mendes (2017). From 2005 to 2011, a total of 263 observations were included in the research. From 2005–2011, they derived secondary data from annual reports. The researchers analyzed the effect of monetary incentives on voluntary disclosures using an ordinal logistic model. Financial performance and voluntary disclosures about corporate governance are inversely related, according to the results. With a 95% confidence level and a P-value of 0.019, the board composition variable is clearly noticeable in Table 4.14's findings. It was determined that the board composition coefficient is +0.353. This provides further evidence that board composition matters, and it follows that changing the makeup of insurance companies' boards would boost their bottom lines. Consistent with earlier research, this study found that commercial banks in Kenya, namely those listed on the Nairobi Securities Exchange (NSE), have a positive correlation between their ownership structures and financial performance (2013). There was a robust correlation between profitability and foreign ownership of shares, the research found. It became clear that foreign shares were a major factor in understanding the outcomes; even small changes in foreign shares had a noticeable impact on

profitability. Stanley (2015) examined the impact of various ownership structures on the financial performance of publicly listed Chinese banks using data from 2005 to 2013. His findings go counter to such conclusions. Neither the state-owned nor the joint venture ownership models were substantially different from one another in terms of performance, according to the results of the correlation study.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter covers the summary of findings, conclusions and recommendations for management, policy and practice. The areas requiring further research were also captured in this chapter.

5.2 Summary of the Findings

This study's primary objective was to examine the impact of Kenya's corporate governance standards on the financial performance of insurance firms with operations in the nation. The study set out to answer three main questions: (1) what effect does board composition have on the financial performance of Kenyan insurance businesses? (2) what effect does transparency have on those companies' financial performance? (3) what effect does risk

management have on those same companies in Kenya. An 81.2% response rate was achieved when 229 out of 282 questionnaires given to managers of insurance businesses in Kenya with headquarters were filled out and returned for examination. To summarize the data, descriptive statistics were used. We used inferential statistics to determine the kind and strength of the a priori predicted correlations between the variables.

The purpose of this research was to assess the effect of risk management on the profitability of Kenyan insurance companies by having participants rate the degree to which they agreed or disagreed that risk management elements influence financial performance. According to the total ratings, most respondents think that risk management may affect a company's bottom line. According to the results, risk management is not a statistically significant predictor variable at the 95% confidence level ($P = 0.863$). Risk management had a coefficient of -0.03 . This indicates that risk management has a negative effect on insurance company financial performance; hence, insurance businesses in Kenya will see a decline in their financial performance when risk management is increased.

By asking participants to rate their level of agreement or disagreement with the statement that transparency issues influence bottom lines, this study hoped to determine the extent to which transparency affects the bottom lines of insurance businesses in Kenya. Taken together, the scores show that, on the overall, respondents think that transparency impacts bottom-line results. The research found no statistical significance ($P = 0.623$) for a predictor variable related to transparency. It was determined that the transparency coefficient was $+0.075$. More openness would not substantially boost insurance businesses' bottom lines, indicating a small but favorable association between financial performance and transparency.

The purpose of this study was to find out whether the composition of insurance boards in Kenya had any effect on the bottom lines of those businesses by asking participants to rate their level of agreement with the following statement. The majority of Kenyans believe that insurance firms' bottom lines are affected by the composition of their boards, according to the data. At the 95% confidence level, the data demonstrated that the board composition significantly affected the outcome ($P = 0.019$). It was determined that the board composition coefficient is +0.353. This provides further evidence that board composition matters, and it follows that changing the makeup of insurance companies' boards would boost their bottom lines.

5.3 Conclusion

It is feasible to draw a number of conclusions about the effect of transparency, risk management, and board composition on the profitability of insurance companies in Kenya. The main objective was to determine the impact of risk management on the financial performance of insurance companies in Kenya. Researchers could not find a statistically significant correlation between risk management and the outcome variables when testing at the 95% confidence level. A coefficient of -0.03 was found for risk management. Since this proves that risk management lowers financial performance, it follows that insurance companies in Kenya would see a drop in their bottom line as a result of heightened risk management.

In addition, they were interested in the financial performance of Kenyan insurance companies in relation to transparency. There is no evidence from this study that transparency can be used as a predictive variable. It was determined that the transparency coefficient was

+0.075. Hence, even if there is a slight positive link between openness and performance, insurance firms in Kenya would not see a considerable improvement in their results.

Examining how different board members affect the bottom lines of Kenyan insurance companies was the third goal. The results show that, with a 95% confidence level, board composition is a significant predictive variable. The board composition coefficient came out to be +0.353. This suggests that board composition has a favorable effect, and hence, insurance businesses' financial performance will improve after a board composition change.

5.4 Recommendations for Management, Policy and Practice

Regression analysis revealed that the most important factor, in terms of regression beta coefficient, was board composition. In light of these results, the research suggests that insurance company policymakers and strategists should prioritize board composition factors when deciding on corporate governance practices.

The second-largest, positive, and statistically insignificant regression beta coefficient was for transparency, according to the regression analysis. As a result, the study's authors advise insurance company management to shift their attention from transparency to other corporate governance regulations and practices that might boost their bottom lines.

According to the regression study, risk management ranked third with a negative and statistically negligible beta coefficient. Accordingly, although risk management is an essential part of every organization's governance, our research suggests that insurance companies place too much strain on it.

5.5 Suggestions for Further Research

This research only looked at insurance businesses in Kenya that have their headquarters in Nairobi. It focused on how corporate governance norms like transparency, risk management, and board composition affect the financial success of these organizations. Consequently, additional norms and practices of corporate governance that were not examined in this study might be the subject of future research into their effects on financial success. Researchers could also look at the difficulties insurance companies and others have when trying to apply corporate governance regulations. There has to be more research on the topic of how corporate governance regulations affect the bottom lines of businesses in different industries.

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APPENDICES

APPENDIX I: CONSENT

Dear respondent,

Excuse me, Hi, my name is Yasir Abdow Abdigeey. The Master of Arts program at Mount Kenya University is something I've just enrolled in. This survey is a part of a larger academic study that looks at how corporate governance affects the profitability of the insurance business in Kenya. It would be much appreciated if you could help us out by filling out this survey. All data collected for this research will be treated with the utmost confidentiality.

No information you provide will be shared or utilized for any reason beyond its initial collection; we will keep all of your details private. We shall take extra precautions to protect your privacy by omitting your name from all forms and the final report. Whatever information or data is gathered from the participants in the research will only be accessible to those individuals. The secure location will keep all of these belongings out of harm's way.

Even while the study's results won't be seen right away, they will contribute to changes in legislation and highlight the effect that rival strategies have on hotels' profits. Subjects are not at risk from taking part in this research. Everyone is free to choose whether or not to take part in this research. Negligible consequences will befall those who choose not to participate. Everyone is free to leave the research at any time without penalty since participation is entirely optional.

Thanks in advance for your cooperation.

Yasir Abdow Abdigeey

Having read and understood the above, and knowing that participation in the research is entirely optional, I understand that my privacy and identity will be protected. By this token, I agree to take part in the research.

Participants signature..... date.....

Interviewers signature.....date.....

APPENDIX II: QUESTIONNAIRE

Please respond with your responses to the questions that have been supplied below. In the blank areas given, please offer honest responses by either filling in the proper answers or checking the corresponding box. This is an exercise for academic purposes, and all information that you provide will be held in the strictest confidence.

SECTION A: PERSONAL INFORMATION

- 1 Department _____
- 2 What is your gender (tick)
 - Male
 - Female
- 3 What is your highest level of educational qualifications (tick)
 - Diploma
 - Degree
 - Masters
 - Others (specify)
- 4 For how long have you worked in your position (tick)
 - 1 – 4 years
 - 5 – 9 years
 - 10 – 14 years
 - Above 15 years

SECTION B: CORPORATE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE PART I. RISK MANAGEMENT

5. Using a scale of 1-5 shown below please tick the extent you agree/disagree that risk management aspects have an influence on financial performance?

SCALE	1) Strongly Disagree	2) Disagree	3) Neutral	4) Agree	5) Strongly agree

Statement	1	2	3	4	5
Identification of types of risks faced by the organization and grouping them into financial, operational, reputational etc					
The number/type of risk internal controls the organization has put in place					
Companies are urging their boards of directors to listen to management teams' assessments on the level of risk their businesses can afford.					
The organization having mechanisms that identify, assess, and mitigate risks that could negatively impact the company and stakeholders					
The organization providing for sound strategic planning and better risk management					

PART II: TRANSPARENCY

6. Using a scale of 1-5 shown below please tick the extent you agree/disagree that transparency aspects influences financial performance?

SCALE	1) Strongly Disagree	2) Disagree	3) Neutral	4) Agree	5) Strongly agree

Statement	1	2	3	4	5
The organization provides relevant information to stakeholders					
The organization considers the accuracy of information provided					
If a decision affects the material health of the organization, stakeholders are made aware in a timely manner					

The company provides timely information to the stakeholders about the company's performance					
All employees within the company align their efforts under the management's guidance, focusing on a common objective					

PART III: BOARD COMPOSITION

7. Using a scale of 1-5 shown below please tick the extent you agree/disagree that board composition aspects influences financial performance?

SCALE	1) Strongly Disagree	2) Disagree	3) Neutral	4) Agree	5) Strongly agree
--------------	-----------------------------	--------------------	-------------------	-----------------	--------------------------

Statement	1	2	3	4	5
The organization balance between insider/outsider director ratio					
The organization engages stakeholders in the selection of board size					
The organization guideline on the executive/norexecutive directors ratio					
The company focus on age and gender diversity among board members					
The organization clear definition of accountability and responsibilities of board members					

PART IV: FINANCIAL PERFORMANCE

8. Using the scale of 1-5 shown below please tick the extent you agree/disagree with financial performance measures?

SCALE	1) Not sure	2) Strongly Disagree	3) Disagree	4) Agree	5) Strongly agree
--------------	--------------------	-----------------------------	--------------------	-----------------	--------------------------

Statement	1	2	3	4	5
The organization is has continuously improved on its in profitability					
The organization seen increases in net income					
The organization has witnessed total assets growth over the years					

The organization has improved shareholder equity over the years					
---	--	--	--	--	--

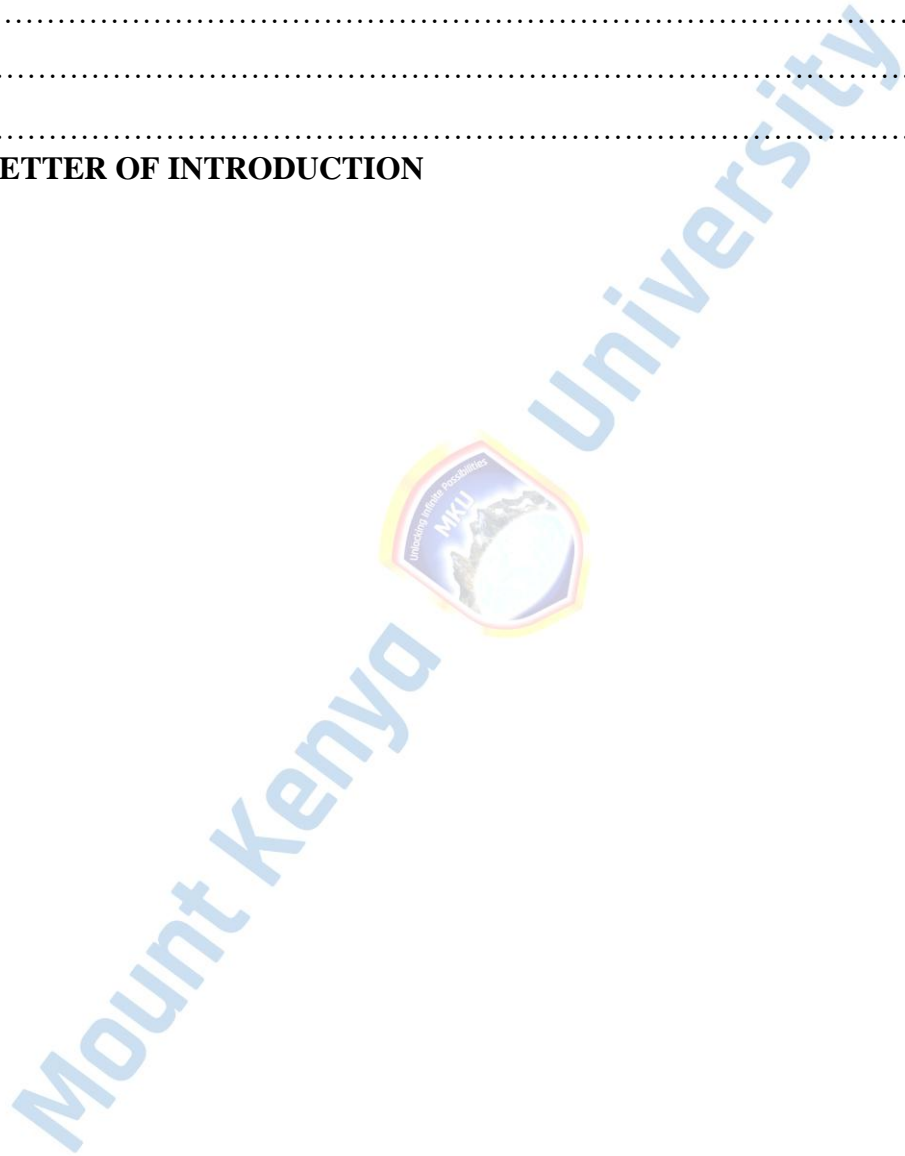
10. Is there anything more you think should have been included in this discussion of how corporate governance practices influence the financial performance of Kenyan Insurance

Companies?.....

.....

.....

PPENDIX III: LETTER OF INTRODUCTION



Mount Kenya University



DIRECTORATE OF GRADUATE STUDIES

MBA/2021/75480

15th August, 2024

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,

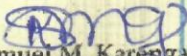
RE: YASIR ABDOW ABDIGEY - REGISTRATION NO. MBA/2021/75480

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is "**An Investigation on the Influence of Corporate Governance on Financial Performance of Insurance Sector in Kenya.**" It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **August, 2024 and October, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Mount Kenya University
P.O. Box 342-01000, THIKA
Office of the Director,
Graduate Studies

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: 020-200 450 000 | 020-200 450 000

APPENDIX IV: ERC



Mount Kenya University

REF: MKU/ISERC/4219
TO: YASIR ABDOW ABDIGEY

Date: 13 August 2024

REG: MBA/2021/75480

Dear Sir/Madam,

RE: AN INVESTIGATION ON THE INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF INSURANCE SECTOR IN KENYA

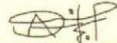
This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3011**. The approval period is **13/08/2024 - 12/08/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,



Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

APPENDIX V: RESEARCH PERMIT



REPUBLIC OF KENYA

Ref No: 490745



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 22/August/2024

RESEARCH LICENSE



This is to Certify that Mr.. YASIR ABDOW ABDIGEY of Newcastle University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: AN INVESTIGATION ON THE INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF INSURANCE SECTOR IN KENYA for the period ending : 22/August/2025.

License No: NACOSTI/P/24/39372

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Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

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 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
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P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
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APPENDIX VI: TURNITIN REPORT

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