

**EFFECT OF VOLUNTARY ACCOUNTING DISCLOSURES ON FINANCIAL
PERFORMANCE OF INSURANCE COMPANIES IN KENYA**

BY

**RABECAH AYAKO KERRY
KCA/07/00257**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF MASTERS OF SCIENCE IN COMMERCE
(FINANCE AND ACCOUNTING) IN THE SCHOOL OF BUSINESS AND PUBLIC
MANAGEMENT AT KCA UNIVERSITY**

OCTOBER 2021

DECLARATION

I declare that this research project is my own work and has not been submitted or published elsewhere for an award of degree. I further declare that it does not contain any material published or written by other authors except where author is duly acknowledged and due reference made.

Student Name:

Registration No.

RABECAH AYAKO KERRY

KCA/07/00257

Sign.....

Date.....

I do hereby confirm that I have fully examined research project of

Rabecah Ayako Kerry

And have certified all revisions which are recommended have been addressed sufficiently.

Sign.....

Date.....

**Dr. Nerbert Avutswa
Dissertation Supervisor**

ABSTRACT

Non-disclosure of vital reports has made stakeholders to lack confidence in investing with such companies leading to a decline in performance. As a result, various organizations, including insurance companies have in the recent past adopted voluntary accounting disclosures as part of their financial management. Nonetheless, despite the use of voluntary accounting disclosures, the performance of Kenyan insurance companies still remains low. The general study objective will be to examine effect of voluntary accounting disclosures on financial performance of Kenyan insurance companies. Moreover, the study also sought to establish the influence of financial information disclosure, forward looking information disclosure and environmental accounting on financial performance of Kenyan insurance companies. Further, the on-going study sought to evaluate moderating effect of corporate governance on the association between voluntary accounting disclosure and financial performance of Kenyan insurance companies. Additionally, explanatory research design was employed during the study. The target population was the 55 Kenyan insurance companies. The present study deployed census approach and hence all the 55 insurance companies were included in the study. The study made use of secondary data, which was obtained from the annual reports of insurance companies in Kenya and from Central Bank of Kenya's bank supervision reports. The study made use of a data extraction tool to collect secondary data. In the analysis of data, the study used both inferential and descriptive statistics and all statistical analysis was carried out using STATA version 14. Descriptive statistics comprised of frequency distributions, percentages, mean, variances and standard deviation. On the other hand, inferential statistics were carried out using regression analysis, which was either fixed effect or random effects depending on the results from Hausman test. The study found that financial information disclosure has positive and significant effect on financial performance of insurance companies in Kenya. In addition, forward looking information disclosure has an inverse and significant effect on financial performance of insurance companies in Kenya. Further, the study found that environmental accounting information disclosure has positive and significant impact on financial performance of insurance companies in Kenya. Also, the study established that corporate governance has statistically significant effect on the relationship between voluntary accounting disclosures and financial performance of insurance companies in Kenya. The study recommends that insurance companies should improve the disclosure of information such as return on assets, return on shareholders' funds, liquidity ratios, bank loans and mortgages and historical summary of financial data among others. In addition, the management of insurance companies should increase the use of forward looking information disclosure including profit forecast, earnings per share forecast, new product/service development as well as planned research and development expenditure, capital expenditure and advertising and publicity expenditure. Further, the management of insurance companies should improve the use of environmental accounting including environment policy, environment management system, environmental compliance, environmental cost identification, waste management and environmental budget among others.

Key Words: Voluntary Accounting Disclosures, Corporate Governance, Financial Performance

ACKNOWLEDGEMENT

It was not possible to undertake this research project without seeking help from others. First and foremost I acknowledge the peace of God which surpasses all human understanding. My deep and sincere thanks go to my supervisor, and to all lecturers in KCA University for their suggestions as well as guidance in coming up with this research project. I would further like to thank my entire members of the family for their understanding and also endurance for setting aside some of my family duties as I developed this research project.

TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
DEDICATION	vii
LIST OF TABLES	viii
LIST OF FIGURES	ix
ACRONYMS AND ABBREVIATIONS	x
OPERATIONAL DEFINITION OF TERMS	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	10
1.3 Research Objectives.....	12
1.4 Research Hypothesis.....	13
1.5 Significance of the Study	14
1.6 Scope of the Study	15
CHAPTER TWO	16
LITERATURE REVIEW	16
2.1 Introduction.....	16
2.2 Theoretical Review	16
2.3 Empirical Review.....	26
2.5 Conceptual Framework.....	39
2.6 Operationalization of Research Variables	41
CHAPTER THREE	42
RESEARCH METHODOLOGY	42
3.1 Introduction.....	42
3.2 Research design	42
3.3 Target Population.....	43
3.4 Research Instrument.....	43

3.6 Data Collection Procedure	44
3.7 Data Processing and Analysis	45
3.8 Ethical Considerations	48
CHAPTER FOUR.....	49
DATA ANALYSIS, PRESENTATION AND DISCUSSION	49
4.1 Introduction.....	49
4.2 Response Rate.....	49
4.3 Descriptive statistics	49
4.4 Diagnostic Tests.....	51
4.5 Regression Analysis.....	57
4.6 Moderating Effect Analysis	60
CHAPTER FIVE	63
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	63
5.1 Introduction.....	63
5.2 Summary	63
5.3 Conclusion	65
5.4 Recommendations.....	67
5.5 Suggestion for Further Studies.....	68
REFERENCES.....	69
APPENDICES	78
Appendix I: Voluntary Disclosure Index	78
Appendix II: Data Collection Checklist.....	80
Appendix III: List of Insurance Companies.....	81

DEDICATION

I dedicate this work to my family as well as friends for their consistent support that greatly contributed to the completion of this research project. It is through their love, care, encouragement and support that made me accomplish this mission.

LIST OF TABLES

Table 4. 1: Descriptive Statistics	50
Table 4. 2: Shapiro-Wilk Test.....	51
Table 4. 3: Cook-Weisberg Test for Heteroscedasticity	52
Table 4. 4: Collinearity Statistics.....	53
Table 4. 5: Breusch-Godfrey Langrage Multiplier test.....	54
Table 4. 6: IPS Unit-Root Test	55
Table 4. 7: Hausman Test	56
Table 4. 8: Regression Results for Voluntary Accounting Disclosures and Financial Performance	58
Table 4. 9: Moderating Effect for Regression Results for Voluntary Accounting Disclosures, Corporate Governance and Financial Performance	61

LIST OF FIGURES

Figure 2. 1: Conceptual Framework	40
---	----

ACRONYMS AND ABBREVIATIONS

ASE:	Amman Stock Exchange
CSR:	Corporate Social Responsibility
EPS:	Earnings per Share
FASB:	Financial Accounting Standards Board
IAASB:	International Auditing and Assurance Standards Board
IASB:	International Accounting Standards Board
ICPAK:	Institute of Certified Public Accountants of Kenya
IFRS:	International Financial Reporting Standards
IRA:	Insurance Regulatory Authority
IRC:	Insurance Regulatory Commission
JSE:	Johannesburg Stock Exchange
KCA:	Kenya College of Accountancy
NACOSTI:	National Commission for Science, Technology and Innovation
NSE:	Nairobi Securities Exchange
OLS:	Ordinary Least Squares
ROA:	Return on Asset
ROE:	Return on Equity
ROI:	Return on investment
SPSS:	Statistical Package for the Social Sciences

OPERATIONAL DEFINITION OF TERMS

Accounting disclosures: Refers to provision of accounting information by the management in a company beyond necessities for instance generally accepted Securities as well as Exchange Commission rules and accounting principles, where the information is believed to be relevant to users' decision-making of the company's yearly reports.

Corporate governance: It is the collection of processes, mechanisms and relations used by various parties to control and to operate an organization.

Environmental accounting: Refers to a field that identifies resource use, communicates costs as well as measures of a firm or national economic effect on the environment.

Financial information disclosures: Refers to the provision of data concerning business monetary transactions. This information is employed to obtain estimates of credit risk by lenders as well as creditors. Relevant financial information is given in a structured manner and also in a form which is easy to comprehend.

Financial performance: Is the subjective measure of how well assets can be used by a firm from its primary business mode and generate income. The term is further employed as a general measure of general financial health of a firm over a given period.

Forward looking information disclosure: Refers to a business term which is employed to establish predictions which are made by publicly-traded corporations concerning future business situations, restructurings, estimates, earnings and other essential company information.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The current global business environment is highly competitive and turbulent, and organizations are currently facing large and highly efficient competitors from all over the globe. Hence, the management of organizations has to ensure continued profitability, and make their organizations more appealing to investors, who are basically savers who want to optimize their value by investing their monies in a 'good' business (Lakshmi, 2015). However, the problem of information asymmetry makes it complex to link savings to business investment opportunities; managers are better informed about businesses than investors since investors tend to delegate their decision-making authority to managers which leads to the agency problem. The agency problem arises where the interest of the managers is in contravention to that of the investors. One way to keep in check the actions of the managers that could result into an agency conflict is through corporate disclosures. However, Ziad, Ibraheem and Hasan (2018) indicate that most organizations are poor in voluntary accounting disclosures.

Over the last two decades, different companies across the world have reported a decline in their performance, which has been attributed to misappropriation of funds and financial scandals, leading to corporate failures. For instance, investors in the United States lost \$3.9 billion in the AIG scandal that happened in 2005 (Maury, McCarthy & Shoaf, 2007). HIH Insurance was the Australia's largest corporate collapse, an issue that was attributed to fraud and inept management (Duarte, 2006). In the United Kingdom, Equitable Life Assurance Society collapsed because the directors of the firm misused funds belonging to insurers (Lakshmi, 2015). In the year 2015, insurance companies such as Global insurance and reinsurer and New Reinsurance Company

collapsed in Zimbabwe as a result misappropriation of funds. In Kenya, lack of appropriate internal controls and financial reporting led to the collapse of insurance companies like Blue Shield Insurance in 2011, Standard Assurance that collapsed in 2009 and Capex Assurance collapsed in 2009 due to inability to settle claims of over 100 million (Insurance Regulatory Authority, 2017).

Information asymmetry has been blamed to be one of the key problems affecting the principal– agent relationship. Management is deemed to be much aware of the company due to their role in running the firm affairs (Mirad & Bicer, 2020). Principal or the owners rely on the disclosed information to know how the firm is performing including their primary objective of the wealth maximization (Kanakriyah, 2016). The main purpose of disclosure is to notify the investor / owner and analysts concerning the quality as well as value of a firm. Information needed must not only be accurate, but also timely for it to benefit the decision maker appropriately (Elfeky, 2017). Disclosure therefore can be termed as provision of timely as well as relevant information which is meant to ensure accurate picture as well as full transparency of corporate actions like in financial performance as well as governance.

Nexus between corporate financial performance and voluntary disclosure, around the world, vary from company to company. In the United States, Enache and Hussainey (2020) found that informative and reliable voluntary disclosures including financial information disclosure, forward looking information disclosure, and environmental accounting have a value-increasing effect on firm performance, but the marginal effect of trustworthy disclosures on governance was decreasing. In addition, Ziad, Ibraheem and Hasan (2018) indicate that voluntary accounting disclosures such as financial information disclosure, forward looking information disclosure, and environmental accounting clearly affect rationalization of investors' decisions in industrial

companies quoted in the Amman Stock Exchange (ASE), be it decision on investment, sale or retention. In addition, Lana, Wang and Zhang (2013) found that voluntary disclosures including financial information disclosure, forward looking information disclosure and environmental accounting in China is positively related to return on equity.

In Jordan, Kanakriyah (2016) indicated that voluntary disclosures such as financial information disclosure, forward looking information disclosure, and environmental accounting enhance fundamental qualitative features (relevance as well as faithful representation) and qualitative features (understandability, comparability, verifiability and timeliness) which can improve decision usefulness. Voluntary disclosure also improves the reputation rankings to generate sustainable value for stakeholders, because higher reputation companies produce higher quality financial reports, but also voluntary disclosure may diminish the reputation of the firms if the voluntary disclosure publishes bad news.

In Egypt, Elfeky (2017) discovered a positive significant correlation between voluntary disclosure measured in terms of environment accounting, human resource accounting, and financial information and the performance of firms in Egypt. Further, Nurudeen, Ahnda and Shalli (2018) found that voluntary disclosure has negative as well as significant effect on profitability of voluntary disclosure of financial service firms within Nigeria.

In Kenya, Wambugu and Essajee (2016) revealed that disclosures such as financial information disclosure, forward looking information disclosure, and environmental accounting are an integral part of the financial statements, it is important for the auditor to give attention to disclosures throughout the audit. In addition, they revealed that comparable accounting standards promote transparency, accountability, and efficiency in financial markets. This enables investors

and other market participants to make informed economic decisions about investment opportunities and risks and improves capital allocation. Gitonga (2016) indicates that presentation of financial statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. According to Waweru (2018), generally accepted auditing standards (GAAS) are a collection of systematic guidelines which are utilized by auditors in carrying out audits on companies' financial records and these standards help to ensure accuracy, verifiability as well as consistency of auditors' reports and actions.

Gitonga (2016) indicates that general as well as strategic information disclosures, financial information disclosures, forward- looking information disclosures and social environmental as well as board disclosures have an influence on financial performance of companies listed at NSE measured in terms of return on investment. However, Mutiva, Ndirangu and Anwar (2015) found that the components of voluntary accounting disclosures encompass general corporate as well as strategic information, financial information, forward-looking information as well as socio-environmental and also board disclosures. Both general corporate as well as strategic information disclosure and forward-looking information disclosure had positive influence on financial performance, while financial information disclosure as well as socio-environmental and also board disclosures had negative influence on financial performance. In addition, Mugo (2014) argues that general and strategic information disclosure, forward looking information disclosure as well as social and board disclosure as components of voluntary accounting disclosure

positively influenced financial performance while financial information disclosure negatively influenced financial performance.

1.1.1 Voluntary Accounting Disclosures

Voluntary disclosure is the provision of information by a company's management beyond requirements such as generally accepted accounting principles, where the information is believed to be relevant to the decision-making of users of the company's annual reports (Al-Theebeh, Ibraheem & Khaled, 2018). The demand for voluntary disclosure arises from agency conflicts and information asymmetry between outside investors and management. The management disclosures' authority is heightened by standard setters, regulators, auditors as well as other intermediaries in capital market. Moreover, agency association exists between principal (shareholders) and agent (management). Information asymmetry between other stakeholders and management is the main issue. In this agency association, management benefit from information. Actions may be taken by an agent that varies with interests of other stakeholders (Hawashe, 2019). Voluntary disclosure gives better opportunity to use agency theory, in sense that firm's private information can be easily accessed by management than outside owners and also investors can make reliable as well as plausible communication to the market in order to heighten firms' value by reducing agency relationships' costs.

Waweru (2018) indicates that voluntary accounting disclosures encompass value added statement disclosure, forward-looking information disclosure, human resource accounting information disclosure as well as social accounting information disclosure. In addition, Mutiva, Ndirangu and Anwar (2015) argued that the components of voluntary accounting disclosure include general corporate as well as strategic information, financial information, forward-looking

information as well as socio-environmental and also board disclosures. This study will use financial information disclosure, forward looking information disclosure, and environmental accounting as components of voluntary accounting disclosure.

Financial information is acquired from financial reports which are prepared from books of accounts and then analyzed in different categories so as to incorporate statement of cash flows, income statements, statement of changes in equity as well as balance sheet (Al-Theebbeh, Ibraheem & Khaled, 2018). These reports are presented during annual general meetings to stakeholders where their contents are read and also explained by the auditors. In financial information category voluntary disclosure items include: gearing ratios, liquidity ratios, ROA, value added statements as well as financial statements' historical summary for at least 3 years (Ziad, Ibraheem & Hasan, 2018).

Forward- looking information assists to forecast company's' future in terms of management strength in place and performance. Information on sales revenue forecast, profit forecasts and earnings per share forecasts is incorporated in this type of disclosure (Lakshmi, 2015). If incorrect predictions are generated by management over and over again, any future predictions credibility may be rejected, which may perhaps result in a possible rise in cost of capital particularly to investors.

Environmental accounting identifies use of resources and communicates the cost of economic impact of a company on the environment. One way in which interested parties and stakeholders can evaluate the influence of an organization on its surrounding and therefore form a view concerning company's reputation is via an analysis of firms' CSR practices. Companies are

encouraged to disclose information on corporate social responsibility, ownership structure, board size and structure, number of employees and their morale levels (IAASB, 2015).

1.1.2 Financial Performance

The Kenya insurance industry is essential in the national economic as well as social development. It has provided notable contribution to the country's economic growth. Therefore, the stability and the financial performance of insurance companies are of importance to the national economy. According to Ziad, Ibraheem and Hasan (2018), financial performance comprises of various methods of assessing how well a firm utilizes its resources in the generation of income. The most common examples of firms' financial performance include net asset value, operating income as well as earnings before taxes and interest (Nurudeen, Ahnda & Shalli, 2018). Nonetheless, there is no measure of financial performance that ought to be utilized on its own. In its place, a comprehensive evaluation of a company's performance should consider diverse performance measures. Moreover, choosing a specific measure of financial performance depends on how it attains set objective. In an insurance set up, financial performance is regarded as the capability of an insurance company to generate sustainable profitability (Ziad, Ibraheem & Hasan, 2018). Therefore, insurance companies' financial performance is its capability to make use of its resources that are available to increase the shareholders' wealth and make sustainable profits to increase its capital base strength through retained earnings.

Mumo (2017) indicated that the performance of the insurance firms is quantified by use of provided industry ratios that help deduce if the firm is fit enough to meet the needs of its shareholders and its obligations to the insurance industry. Some of the used ratios include net incurred claims ratio, Return on Assets (ROA), retention ratio, net commission ratio, Return on

Equity (ROE), combined ratio, management expense ratio, and shareholders' funds to total assets. As stated by Mwangi (2013), measures of financial performance in insurance industries include profitability (ROA and ROE) and liquidity. In addition, Gongga (2017) indicated that financial performance measures in insurance companies include market share, return on asset and customer loyalty.

This study will measure insurance companies' financial performance in terms of return on equity. Return on equity show how profit can be generated by a firm from shareholders fund which is invested in a firm. Moreover, it is attained by dividing net income by shareholders equity (Nurudeen, Ahnda & Shalli, 2018). Return on equity shows how firm is making profits from an investment and grow. Additionally, a high return on equity indicates increased growth as well as firms' performance to make profits without demanding much capital.

1.1.3 Insurance Companies in Kenya

Although the major aim of financial reporting by Kenyan insurance companies is to give financial information in such a way that can help end-users make informed decisions, many players have continued to be eluded by this noble objective (Kabiru & Mwangangi, 2012). This is because the insurance business language has and also continues to be hard to understand as well as assess for large number of market participants as well as insurance customers. This together with complex financial statements makes evaluation of insurer financial health by the policyholders farfetched and difficult. To ensure sufficiency of financial reporting various bodies including International Accounting Standards Board (IASB), Financial Accounting Standards Board (FASB) International Association of Insurance Supervisors, (IAIS) among others are acknowledged for their reasonability in establishing worldwide accepted standards. Further, as a rule of thumb, information disclosure standards remain to be based on the requirement for

reliability, relevance, comparability as well as understandability in making sure there is high transparency level. Therefore in financial reporting, ultimate gain acquired therein is based on value users of information obtained in financial statements as well as other financial information given (Insurance Regulatory Authority, 2017).

The Insurance Act, CAP 487 of the Kenyan laws section 59 to 66 requires insurance companies to disclosure all relevant information. Moreover, the Act foresees that this enables both parties in coming up with informed decisions on aimed contractual association. Section 54 to 56 demands insurance companies to prepare and submit financial statements within pre stated timelines and in prescribed format, failure to do so attract a penalty. Regardless of these provisions, difficulties in assessing systematically the needs of user information disclosure in line with setting bodies of accounting standard in terms of comparability as well as reliability is still prevalent (Kabiru & Mwangangi, 2012).

The IFRSs are appropriate framework for financial reporting by Kenyan insurance companies with Accountant Act No. 15 of 2008 which deal with matters linked to accountancy. Accountants Act under Section 10 sanctions the Council to make such committees in order to prescribe as well as set suitable accounting standards which are applicable within Kenya (IRA, 2012). Following this provision, ICPAK adopted IFRSs as proper financial reporting framework for companies starting from 1st January 1999. Moreover, to this aim, a clarification or guidance was given in in 2009 on matters of proper standards for financial reporting in insurance sector, where all publicly accountable organizations, the listed entities and those keeping money in fiduciary capacity were made to prepare financial statements according to full IFRS. Insurance firms are publicly responsible hence are of no exemption (IRA, 2012).

1.2 Statement of the Problem

The demand for voluntary disclosure (financial information disclosure, forward looking information disclosure and environmental accounting disclosure) emanates from agency conflicts and information asymmetry between shareholders or investors and the management. Agency relationships exist between management and shareholders. According to Waweru (2018), higher profit making firms have high occurrences of disclosure in their annual report as compared to lower profit making firms. In addition, Ziad, Ibraheem and Hasan (2018) indicate that non-disclosure of vital reports has made stakeholders to lack confidence in investing with such companies leading to a decline in performance. As a result, various organizations, including insurance companies have in the recent past adopted voluntary accounting disclosures as part of their financial management. Nonetheless, despite the use of voluntary accounting disclosures, the performance of insurance companies still remains low.

The insurance industry in Kenya has in the last two decades been experiencing problems in its performance and in financial reporting and disclosures. In the last 10 years, there has been noted a decline in insurance companies' profits with several companies issuing profit warnings, meaning that their net earnings would be 25 per cent lower than a similar period (Insurance Regulatory Authority, 2016). These companies include Sanlam Kenya and CIC Insurance. Since the year 2013, eight insurance firms have closed shop while others were put under receivership (Insurance Regulatory Commission, 2016). These insurance companies include Lakestar Insurance, Access Insurance, Stallion Insurance, Concord Insurance, Liberty Insurance, Invesco Insurance, and BlueShield Insurance. Access Insurance was closed in the year 1998 and Stallion Insurance was placed under liquidation in 2002 after it was found to be insolvent and could not meet its obligations to policy holders and the general public in respect of admitted claims and

judgment debts. United Insurance Co. Ltd performed poorly and was placed under Statutory Management by the Commissioner of Insurance on 15th July 2005 (Insurance Regulatory Authority, 2018). The Insurance Regulatory Authority regulator placed Lakestar under statutory management in 2002 because the director had taken to the tune of Sh170 million as unsecured borrowings from the company in contravention of the Insurance Act. Blue Shield was put under receivership by IRA in 2011 since they were alleged to have committed fraud. Prosperity Health Kenya as well as Discovery Health East Africa was closed since they did not adhere to the majority shareholders stake directives provided in 2013 (Insurance Regulatory Authority, 2017). In addition, as indicated by Marime (2017) insurance companies in Kenya report low voluntary accounting disclosures and cases of concealing the truth have been rampant. Further, Waweru, Memba and Njeru (2016) indicated that lack of sufficient financial disclosures leads to an increase in fraud and financial management malpractices, which in turn can negatively affect the financial performance of insurance firms.

Various studies conducted on the voluntary accounting disclosures and financial performances in Kenya have produced mixed findings. Wambugu and Essajee (2016) found that voluntary financial disclosures such as environment accounting, human resource accounting and financial information have a positive influence on stock returns of companies quoted on NSE. However, Mutiva, Ndirangu and Anwar (2015) established that strategic information disclosures, forward-looking information disclosure had positive effect on financial performance, while financial information disclosure and socio-environmental and board disclosures had a negative influence on financial performance of quoted companies at NSE. Additionally, Mugo (2014) revealed that general and strategic information disclosure, forward looking information disclosure as well as social and board disclosure positively influenced financial performance of

Kenyan commercial banks while financial information disclosure negatively influenced financial performance.

However, Wambugu and Essajee (2016) and Mutiva, Ndirangu and Anwar (2015) conducted their study in the NSE while Mugo (2014) conducted his study in Kenyan commercial banks. This study was conducted among insurance companies in Kenya, which also included the insurance companies listed in the NSE. In addition, the dependent variable used by Wambugu and Essajee (2016) was stock returns while Mugo (2014) and Mutiva, Ndirangu and Anwar (2015) used financial performance as the dependent variable. This study will be use financial performance as the dependent variable. While Mutiva, Ndirangu and Anwar (2015) and Wambugu and Essajee (2016) and Mugo (2014) used primary data. However, this study used secondary data that was collected by use of questionnaires. In addition, the studies by Mutiva, Ndirangu and Anwar (2015) and Wambugu and Essajee (2016) and Mugo (2014) utilized a descriptive research design, but this study adopted an explanatory research design. This study therefore sought to examine effect of voluntary accounting disclosures on financial performance of Kenyan insurance companies.

1.3 Research Objectives

1.3.1 General Objective

The general study objective was to examine effect of voluntary accounting disclosures on financial performance of Kenyan insurance companies.

1.3.2 Specific Objectives

The specific objectives of the study were;

- i. To establish study effect of financial information disclosure on financial performance of insurance companies in Kenya
- ii. To evaluate effect of forward looking information disclosure on financial performance of Kenyan insurance companies
- iii. To assess effect of environmental accounting on financial performance of Kenyan insurance companies
- iv. To evaluate moderating effect of corporate governance on the relationship between voluntary accounting disclosure and financial performance of Kenyan insurance companies

1.4 Research Hypothesis

The null hypotheses for this study were as follows:

H₀1: Financial information disclosure has no statistically significant effect on financial performance of Kenyan insurance companies

H₀2: Forward looking information disclosure has no statistically significant effect on financial performance of insurance companies in Kenya

H₀3: Environmental accounting has no statistically significant effect on financial performance of insurance companies in Kenya

H₀4: There is no moderating effect of corporate governance on the relationship between voluntary accounting disclosure and financial performance of Kenyan insurance companies

1.5 Significance of the Study

The on-going study is of important to the management of insurance companies in Kenya, government of Kenya and policymakers, scholars and researchers as well as investors.

1.5.1 Management of Kenyan Insurance Companies

Moreover, to the management of Kenyan insurance companies, the study provides an insight on how various voluntary accounting disclosures influence the financial performance of their organizations. This information could be used in the development of strategies based on voluntary accounting disclosures such as environmental accounting, forward looking information disclosure and financial information disclosure to improve their financial performance.

1.5.2 Government of Kenya and Policy Makers

Insurance companies play a major role in the national economy by protecting the country's wealth and shielding other sectors of the economy from losses. Hence, to government of Kenya as well as policy makers, the study gives information on how voluntary accounting disclosures affect financial performance of Kenyan insurance companies that could be used to develop policies to increase voluntary accounting disclosures. In addition, the findings of the study could be used to formulate policies to protect investors in the insurance sectors through the enhancement of voluntary accounting disclosures.

1.5.2 Scholars and other Researchers

The study adds more information to the body of knowledge on voluntary accounting disclosures and financial performance. To scholars and other researchers, the study gives information which can be employed as research material and also in research gaps' identification. Further, the research acts as basis upon which more studies can be carried out on voluntary accounting disclosures and financial performance in other sectors in Kenya. To investors in Kenya, the study provides information on voluntary accounting disclosures in different insurance companies that they can use in making investments decisions.

1.6 Scope of the Study

The present study sought to examine effect of voluntary accounting disclosures on financial performance of Kenyan insurance companies. However, it was only guided by three voluntary accounting disclosures: financial information disclosure, forward looking information disclosure, and environmental accounting. The study was carried out in all 55 insurance companies in Kenya. Most of insurance companies have their headquarters located in Nairobi County. The study made use of secondary data that was collected from financial statements of the insurance companies and from Insurance Regulatory Authority supervision reports. The research covered the period 2016 and 2020.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter sets out presentation of the related literature on the influence of voluntary accounting disclosures on financial performance of insurance companies. This section also consist presentation of the theoretical as well as empirical reviews on the influence of financial information disclosure, forward looking information disclosure and environmental accounting on financial performance of Kenyan insurance companies. Finally a table of variables operationalization is presented.

2.2 Theoretical Review

This subsection presents theoretical review on effect of financial information disclosure, forward looking information disclosure and environmental accounting on financial performance of insurance companies. Moreover, the theories that were used in this study include: Agency theory, Stakeholder theory signalling theory, stewardship theory and legitimacy theory.

2.2.1 Agency Theory

The above theory was founded by Jensen as well as Meckling (1976). Moreover, the theory terms agency association as “a contract upon which either one/more individuals (principals) involve another individual (agent) in order to carry out some service on their behalf which entails assigning authority of decision-making to an agent.” Moreover, agents normally correspond effectively to management, whereas principals normally correspond effectively to owners from firms’ point of view. Agency result from a belief that two principals, parties as well as agents, have diverse interests. Principals pay monitoring costs, to restrict agents’ unusual activities.

Further, agents pay costs of bonding to guarantee that principal's interests will not be harmed as a result of their decisions as well as residual loss (Aanu, Oluku & Clementin, 2015). The agency association leads to problem of information asymmetry since shareholders can access information less than the management (Wasara & Ganda, 2019).

One way of mitigating agency problem is optimal contracts as it assists in aligning management interests with shareholders' interests (Kendi, 2016). Additionally, another way of mitigating agency problem is through voluntary disclosure, where more voluntary information is disclosed by the management hence reducing agency costs (Musyoka, 2017). Another way of mitigating agency problem is through regulations as they require private information to be fully disclosed by the management (Marime, 2017). Nevertheless, even in existence of regulations, full disclosure is however never guaranteed. The conflict that exists between interests of shareholders and management explains nonexistence of full disclosure. Regulations of corporate reporting are aimed at providing information of minimum quantity to investors that assists in the process of decision-making (Mutiva, Ahmed & Ndirangu, 2015).

Wanjau (2019) posits that company's' directors being agents, have a responsibility to operate the company in a way that maximize returns to all shareholders and the company's cash flow as well as profit. Meckling and Jensen (1976) in agency theory, however suggests that directors do not usually run the firm where they are employed to maximize shareholders' wealth instead they may carry out their own personal-interest. According to the agency theory, an agent has the obligation to full disclosure of information for the principal to benefit. Voluntary disclosure acts as a regulatory tool in order to restrict the tendency on opportunistic behavior for managers' personal gain.

In line with this study, agency theory was used to determine the effect of voluntary accounting disclosures (financial information disclosure, forward looking information disclosure and environmental accounting) on financial performance of insurance companies. Moreover, the theory terms agency association as “a contract under which either one/more individuals (principals) involve another individual (agent) to carry out some service on their behalf which entails assigning some authority of decision-making to an agent. The agency theory implies that companies increase disclosure in order to mitigate conflicts between shareholders and managers. Further, firms wishing to enhance their firm value may do so by increased disclosure.

2.2.2 Stakeholder Theory

Edward Freeman (1984) developed the above theory. This theory claims that organization successful is only attained when it delivers value which can come in numerous forms beyond financial benefits to its stakeholders (Mohammed, 2018). Moreover, there are numerous interested parties that should be incorporated under stakeholder including the customers company’s employees, suppliers, financiers, governmental bodies, communities, political groups, trade unions, competitors as well as trade associations since they as well can influence project outcome.

Aliyu, Adejola and Nguavese (2018) employed stakeholder theory in order to study voluntary disclosure of information concerning intellectual capital in yearly reports of registered companies. Findings indicated that observed pattern as well as level of voluntary disclosure is strongly influenced by the minority shareholders’ power, consumer proximity, creditors, employees, strength of sustaining intangibles within an industry where a company is situated as well as the ownership of managerial board is also discovered to be corresponding with theory of managerial branch of stakeholder. The understandings that appear should notify regulatory

efforts which are intended to improve the scope, quantity as well as the level of disclosures of intellectual capital items found in financial reports.

Cotter, Lokman and Najah (2011) used stakeholder theory to explain voluntary disclosure and argued that in relation to disclosure practices, firms have incentives to disclose particular information to particular stakeholders in order to convince them that they are complying with their requirements. As such, stakeholder theory tells how managers should morally act because they have a fiduciary relationship to stakeholders. In addition, Nyahas, Ntayi, Kamukama and Munene (2018) used stakeholder theory to examine stakeholders influence on voluntary disclosure practices by listed companies in Nigeria. The authors argued that under the normative branch, management has a fiduciary relationship with all stakeholders as such should endeavor to treat every stakeholder equally as an ethical responsibility for the optimal benefit of both the firm and its stakeholders. Using the ethical branch, voluntary disclosures are made in order to be accountable to diverse interests groups without exception.

The theory also holds that through voluntarily revealing intellectual capital items, a company is more possible to meet the needs of stakeholders and also upgrade its image for credibility, transparency, as well as good relations of stakeholder. Reputation is firm-specific, immaterial and non-tradable resource which is hard to be replicated by competitors. So, in yearly reports intellectual capital items' voluntary disclosure is considered as a strategic inventiveness to help promote the company success and encourage good communications with various stakeholders. Indeed, Lawala, Agbib and Mustaphac (2018) has argued that if an organization does not maintain good stakeholders relations by disregarding their information requirements, it is not possible for long- term value to be maximized by an organization.

Stakeholder theory was deployed in this research to assess impact of voluntary accounting disclosures (financial information disclosure, forward looking information disclosure and environmental accounting) on financial performance of Kenyan insurance companies. Moreover, the theory holds that a firm is more likely to attain the needs of stakeholders and also improve its image for credibility, transparency and good relations with stakeholder by voluntarily disclosing intellectual capital items. Reputation is firm-specific, immaterial, non-tradable resource that is hard to be replicated by competitors. Agency theory assumes that companies resort to disclose extra information voluntarily to decrease the agency costs that arise from the contest between managers and shareholders.

2.2.3 Signaling Theory

Signaling theory was propounded by Michael Spence (1973). The theory holds that signals are a response to information asymmetries between stakeholders and companies and companies minimize the asymmetry through providing information. Companies characterized by increased disclosure assure their stakeholders that they are honest and have less possibility of being hampered by regulatory oversight. Managers of companies which are better performing can differentiate themselves from their peers by utilizing disclosure in order to serve these purposes. In accordance with this theory therefore, increase in voluntary disclosure increase public loyalty and may result to increase in demand of firms shares leading to increase in financial performance (Robert, Lyria & Mbogo, 2016).

This theory suggests that firms which are performing well make voluntary disclosures to be more readily, since doing so is considered as an easy way of differentiating themselves from others in market area. A company's disclosure of information fall somewhere between full disclosure and no disclosure depending on their objectives. All firms, at least partly, disclose

information concerning the prospects of their business so as to signal they either are or have good opportunities for investment (Aliyu, Adejola and Nguavese (2018). Managers may wish to reduce information asymmetry that is existing within the market concerning the firm's performance like voluntary disclosures may act as "indicator" if they show information concerning unobservable features of a firm's decision (Lawala, Agbib & Mustaphac, 2018). Under such a situation, higher quality firms' managers with private information can differentiate themselves from lower quality firms via voluntary disclosures. By disclosing a decision which is related to outsourcing, underperforming firm managers may signal that the firm is making steps to enhance performance.

Hamrouni (2015) conducted a study on the signaling firm performance through corporate voluntary disclosure. He argued that the primary objective of corporate disclosure is to inform analysts and investors about the firm quality and value. This suggests that voluntary disclosure decisions lead to the reporting of relevant information about firm performance. Laura, Giunta and Dainelli (2010) studied signaling theory and voluntary disclosure to the financial market. They argued that voluntary disclosure is one of the signaling means, where companies would disclose more information than the mandatory ones required by laws and regulations in order to signal that they are better.

Signaling theory was used in on-going study to determine the influence of voluntary accounting disclosures (financial information disclosure, forward looking information disclosure and environmental accounting) on financial performance of Kenyan insurance companies. This theory holds that, companies' disclosures of information fall somewhere between full disclosure and no disclosure, depending on their objectives. All firms, at least partly, disclose information concerning prospects in their business so as to signal that they either are or have good

opportunities for investment. Insurance companies need to disclose financial information and forward looking information to retain the clients and attract new ones and also remain competitive in the insurance sector. Signaling theory proposes that companies that have significant levels of voluntary disclosure intended to decrease asymmetries in information and signal the quality and real value of firms by providing more information to parties who lack information.

2.2.4 Stewardship theory

Stewardship theory was introduced by Donaldson and Davis (1989) as a normative alternative to the agency theory. The executive manager, under stewardship theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. Grounded in psychology, sociology and leadership theories, stewardship theory argues for the possible alignment between the principals and agents which is reflective of a psychological contract or a close relationship with agent behaving in a community-focused manner, directing trustworthy moral behavior towards the firms and its shareholders (Wasara & Ganda, 2019). Thus, stewardship theory holds that there would be no inherent, general problem of executive motivation (Manokaran, Ramakrishnan, Hishan & Soehod, 2018). Aanu, Oluku and Clementin (2015) argued that, among other factors, managers who identify with their organizations and are highly committed to organizational values are more likely to serve organizational ends.

In the family-controlled firms, the ownership and management are the same, as the family members themselves are the managers, or they exert enormous control over the strategic decisions of the firms. Hence, the agency theory may not hold well in family-controlled firms (Wasara & Ganda, 2019). The family members are committed to the business. Also, they are altruistic towards each other as a result of kinship obligations that are part of the axiomatically

binding normative moral order in most cultures (Kendi, 2016). The existence of high levels of commitment is frequently regarded as one of the strong advantages of family firms compared to non-family firms (Musyoka, 2017). Hence, ideally, the stewardship theory should hold well in family-owned firms. However, in practice, family-owned firms also have serious corporate governance problems.

In line with this study, Stewardship theory was used to establish the influence of moderating effect of corporate governance on the relationship between voluntary accounting disclosure and financial performance of Kenyan insurance companies. The theory holds that among other factors, managers who identify with their organizations and are highly committed to organizational values are more likely to serve organizational ends. The number of board number of independent directors and the number of non-executive directors at end of financial year are important in ensuring voluntary financial disclosure in an organization.

2.2.5 Legitimacy theory

Legitimacy theory was developed by Dowling and Pfeffer (1975).The theory posits that organizations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates (Wlislocka &Strojek-Filus, 2019).

Legitimacy theory relies on the notion that there is a ‘social contract’ between a company and the society in which it operates. The social contract is used to represent the myriad expectations society has about how an organization should conduct its operations (Mahboub, 2019). Specifically, it is considered that an organization’s survival will be threatened if society

perceives that the organization has breached its social contract (Zakharova, Vinichuk & Maksimova, 2016). Where society is not satisfied that the organization is operating in a legitimate manner, society will revoke the organization's 'contract' to continue its operations (Maroofi, & Tabarzadi, 2017).

The social contract is difficult to define because it can be explicit or implicit and not permanent. Therefore, the 'terms' of the social contract cannot be known with any precision, and different managers will have different perceptions about these various terms (Waweru, Memba & Njeru, 2016). Odalo, Njuguna and Achoki (2016) indicate that legal requirements provide the explicit terms of the contract, while other non-legislated societal expectations embody the implicit terms of the contract. It is in relation to the implicit terms of the contract that managers' perceptions may vary greatly. Additionally, societal expectations are not permanent, but rather change over time; hence, the conditions under the social contract on which social approval is conferred, change over time. This requires organizations to be responsive to the environment in which they operate (Wakhungu, 2011). Because community expectations can change over time, the organization needs to make disclosures to show that it is also changing. Given the impacts of perceived breaches of the social contract for organizational survival, it is important to examine the remedial actions that organizations might engage in.

Waweru, Memba and Njeru (2016) refers to a 'legitimacy gap', that is, the difference between the expectations of the 'relevant publics' relating to how an organization should act, and how the organization does act. The theory suggests that when a legitimacy gap occurs, there is a threat to the entity's legitimacy and when a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy. Maroofi, and Tabarzadi (2017) indicate that legitimacy is a resource on which an organization is dependent for survival. Zakharova,

Vinichuk and Maksimova (2016) provides that, consistent with resource dependence theory legitimacy theory suggests that whenever managers consider the supply of the particular resource is vital to organizational survival, they will pursue strategies to ensure the continued supply of that resource. Such strategies may include targeted disclosures, or perhaps controlling or collaborating with other parties who, in themselves, are considered to be legitimate (Zhafarina, 2017). Where managers perceive that the organization's operations are not commensurate with the 'social contract' then, pursuant to legitimacy theory, organizations may take remedial action to become legitimate (Maroofi, & Tabarzadi, 2017). Because the theory is based on perceptions, for remedial action to have an effect on external parties, it must be accompanied by publicized disclosure (Waweru, Memba & Njeru, 2016). Hence the importance of publicized corporate disclosures, such as those made within annual reports and other publicly released documents.

In line with this study, legitimacy theory was used to determine the effect of voluntary accounting disclosures on financial performance of Kenyan insurance companies. The theory argues that organizations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates. Legitimacy theory debates companies have a social contract with the society, and thus provides greater levels of voluntary disclosure in order to ensure compliance with the regulations and ethics of that society, where mandatory disclosure is not enough.

2.3 Empirical Review

This section sets out review of related literature on influence of voluntary accounting disclosures on financial performance of insurance companies. Specifically, it presents literature on effect of financial information disclosure, forward looking information disclosure and environmental accounting on financial performance of insurance companies.

2.3.1 Financial Information Disclosure and Financial Performance

Information disclosure as a formal-sounding term makes information easily accessible to affected and interested parties. In the process of engaging stakeholder, communicating such kind of information in a manner that stakeholders will understand is an essential first (and continuing) step (Wasara & Ganda, 2019). Financial information disclosure entails; share price information, liquidity ratios and summary of financial statements.

Manokaran, Ramakrishnan, Hishan and Soehod (2018) performed a research on influence of financial information disclosure on financial performance of Malaysian Insurance Companies. Moreover, the study examined impact of financial information disclosure on financial performance by use of broad content analysis technique on yearly reports from thirteen local insurance companies within Malaysia over past nine years i.e. 2008-2017. The relationship between financial information disclosure and ROA and ROE was tested by use of correlation analysis. Results revealed a positive and significant association between financial information disclosure and Financial Performance.

In Nigeria, Aanu, Oluku and Clementin (2015) examined the influence of financial reporting disclosures on firms' financial performance in manufacturing companies located in Nigerian. This researcher examined empirically, association between financial reporting disclosures in

yearly reports and performance of Nigerian registered manufacturing firms from 2005 to 2009. Further, disclosure variables consisted of timeliness, board size, value added percentage which is retained for development and kind of Auditors Report were utilized as financial reporting disclosure measures whereas ROE was utilized as a measure of financial performance. Age as well as size was utilized as control variables. Panel Least Square Regression as well as secondary data was utilized in the study for analysis of data. Results indicated a positive and significant association between financial reporting disclosures and financial performance apart from the case of value added percentage which was preserved for growth size where no significant association was discovered.

In South Africa, Wasara and Ganda (2019) examined the association between financial information disclosure and firm financial performance of listed mining companies in JSE. The study sample consisted of 10 listed mining companies in JSE, and data was obtained from sustainability reports for duration of 5 years between 2010 and 2014. Moreover, in regard to this, content analysis method was adopted during data collection. The association between information disclosure and ROI was analyzed using multi-regression analysis. Results indicated a negative association between information disclosure and ROI. Further, the study revealed positive correlation between social disclosure and ROI. This means that by an increase in ROI, an increase in mutual reporting of social disputes leads to increase financial performance.

Kendi (2016) examined the correlation between voluntary financial information disclosures and financial performance of various companies which are listed at NSE. The study population for this management research project was the 66 quoted companies in NSE as at July 31, 2016. This research sought to perform empirical analysis of association between voluntary disclosures and financial performance of various companies which are quoted at NSE. Findings indicated

that individual predictor variables produced strong positive relationship when regressed against return on investment; similarly, the multiple regression of the predictor variables against ROI produced a strong relationship.

Musyoka (2017) assessed the influence of financial information disclosure on financial performance of various firms quoted at NSE. Correlation research design was deployed to achieve the study objective. The study targeted 64 companies which are currently quoted in NSE. Forty three actively trading companies between 2006- 2015 were selected by use of Purposive sampling. Study results revealed a positive significant association between disclosures on financial policy, sales growth, policy of investment, financial liquidity, research and advancement as well as firm performance. Moreover, these voluntary disclosures explained 63% of the variations in firm performance.

Marime (2017) conducted a study on association between voluntary financial information disclosure and value of registered insurance companies within Kenya. A causal research design was deemed appropriate when intending to determine whether an alteration in independent variable cause adjustment in dependent variable and specific to this study voluntary disclosure (independent variable) and firm value (dependent variable) of the insurance companies listed in NSE. This study targeted all the 47 Kenyan insurance companies as at December 2016. The study concluded that financial information disclosure has a positive and significant effect on firm image and consequently its value. To avoid speculation by investors and other stakeholders, insurance firms need to clearly substantiate where their capital come from and any policy followed and incase of any constraints posed by the capital it need to be well stipulated.

Mutiva, Ahmed and Ndirangu (2015) investigated on association between voluntary disclosure and financial performance of various companies which are quoted at NSE. This paper attempted to assess empirically association between voluntary disclosures and measure of financial performance, ROI, of companies quoted at NSE. Yearly reports of ten quoted companies from NSE twenty-share index were examined from 2011 to 2013. Moreover, disclosure checklist which comprised of 49 voluntary disclosure items of information was deployed. Regression analysis was performed on data set by use of Excel 2007. Results found that predictor variables generated varied findings when are regressed against ROI. Nonetheless, multivariate regression analysis showed strong positive association between voluntary disclosure and measures of financial performance

Wanjau (2019) investigated on impact of corporate information disclosures on financial performance of various companies quoted in securities exchanges in East Africa. Both descriptive as well correlation design was deployed during the research. Purposive sampling was deployed to choose 51 quoted companies in NSE in Kenya, 11 companies listed in USE, 3 companies listed in RSE as well as 15 companies quoted in Daresaalam securities exchange between 2006 and 2015. Study results indicated a positive significant association between financial disclosure, governance disclosure, risk disclosure, social disclosure and financial performance of different quoted companies within East Africa. It was hence concluded that there is high need for listed companies to enhance their level of information disclosure so as to minimize monitoring and agency cost and ultimately steer superior performance.

Waweru (2018) evaluated the influence of voluntary accounting disclosures on non-financial firms' market performance quoted in NSE, Kenya. Moreover, the study deployed descriptive cross-sectional research design. Further, census of forty five non- financial companies quoted in

NSE was also taken. Moreover, this study deployed secondary panel data comprised in yearly reports of non-financial companies quoted in NSE. Further, data was acquired from companies' websites as well as NSE hand book for the year 2011-2015. The results indicated a significant positive effect of value added statement disclosure, forward-looking information disclosure, social resource accounting disclosure, human accounting information disclosure and management dialogues and also analysis disclosure as well as firm market performance which was measured by Tobin's Q of quoted Kenyan non-financial firms.

2.3.2 Forward Looking Information Disclosure and Financial Performance

"Forward looking" is employed in business to identify forecasts that are made by publicly-traded corporations regarding future business restructurings, situations, earnings estimates as well as other essential company information (zakharova, vinichuk & maksimova, 2016). Forward looking information disclosure entails; profit warnings, future sales forecasts and profit forecasts.

In Poland, Wlislowska and Strojek-Filus (2019) conducted a study on the influence of forward-looking information disclosure on financial performance of quoted companies. Further, the main aim of this study was to give general idea of forward-looking information disclosures and their correlations with various risk factors. Moreover, the study adopted descriptive survey design. Target group of interest comprised of 26 firms quoted in Warsaw Stock Exchange. Further, the study was based on the content analysis method, through use of text analysis software. General findings indicate comparatively low level of forward-looking information disclosures which had a positive but insignificant effect on financial performance of quoted companies.

In Saudi Arabia, Mahboub (2019) conducted a study on the influence of forward-looking information disclosure in yearly reports on performance of various commercial banks. Moreover,

the target population of interest comprised of 29 Lebanese commercial banks for the period 2008-2017. Disclosure index methodology was adopted for each bank in the sample. The results indicate that three of the bank specific characteristics i.e., size, leverage and age have insignificant, but positive correlation with level of forward-looking information disclosure; whereas profitability, liquidity, and capital expenditures have positive influence on level of this disclosure.

Zhafarina (2017) conducted a research on influence of forward-looking information disclosure on financial performance of companies quoted in Indonesia. The study population was all companies quoted in Indonesia Stock Exchange and also published their yearly report in the period between 2012 and 2015. Purposive sampling was used to select a total sample of 119 companies. The study findings demonstrated that firm size, sector type and profitability positively influenced forward-looking disclosure. However, liquidity and leverage negatively influenced forward-looking disclosure. Nevertheless, forward-looking disclosure had no effect on firm performance.

Zakharova, Vinichuk and Maksimova (2016) examined the effect of predicting Sales Volumes on performance of Insurance Company in Russia. To forecast and analyze sales volume of insurance organization, this research employed exponential smoothing model (Holt-Winters multiplicative model with trend deterrence factor for predicting time series based on an evaluation of the seasonality and trend), since a preliminary analysis of the sales volume dynamics of the foremost regional insurance organization indicated that seasonal variations from initial series are usually characterized by constant percentage rate changes. Findings revealed that sales forecasting positively influence financial performance of organizations.

Maroofi, and Tabarzadi (2017) examined influence of sales approaches in financial performance of Kurdistan insurance companies. In terms of time, the study applied cross-correlation as well as correlational descriptive study. A total of seventeen insurance companies located in Kurdistan province with 186 staffs were selected. The study targeted 130 employees and experts as well as 384 customers. The findings indicated that insurance companies' sales strategies have significant effect on financial performance of Kurdistan insurance companies. Results revealed a positive and significant association between the kind of sales approach of insurance companies (indirect and direct sales) with performance (ROA and customer satisfaction).

Waweru, Memba and Njeru (2016) conducted a study on the association between forward-looking information disclosure and Financial Performance of various Non-Financial Firms quoted in NSE, Kenya. The study deployed descriptive cross-sectional research design. Moreover, census of forty five non- financial companies quoted in NSE was also taken. Further, this study deployed secondary panel data comprised in yearly reports of non-financial firms quoted in NSE. Results indicated significant as well as positive linear association between forward-looking information disclosure and financial performance of a firm measured by use of Tobin's Q of quoted Kenyan non-financial firms. The researcher concluded that quoted non-financial firms ought to voluntary disclose to all stakeholders concerning their forward-looking information.

Odalo, Njuguna and Achoki (2016) evaluated effect of future sales forecast on financial performance in all agricultural firms quoted in NSE in Kenya. A panel design with causal and descriptive study design was employed and all quoted companies in Kenyan agriculture sector were studied. ROA, ROE and EPS were employed to measure financial performance while sales

growth was measured using sales increments in every year. Inferential statistics (regression as well as correlation) was deployed for analysis of data. A pooled OLS regression model was deployed to incorporate the space as well as time movements. The study affirms that measures of financial performance are positively and significantly influenced by sales growth while ROA and ROE have negative insignificant influence on ESP.

Wakhungu (2011) assessed the effect of sales forecasting practices on dividends of large manufacturing companies in Kenya. The research methodology involved triangulation, which is a blend of positivism (quantitative research) and phenomenology (qualitative research). Moreover, the target population of interest comprised of 42 large manufacturing companies quoted with NSE. The study found that sales forecasting practices positively influence performance of manufacturing companies. The study concluded that there existed positive significant effect of sales forecasting practices on dividends of large manufacturing companies in Kenya.

2.3.3 Environmental Accounting and Financial Performance

Environmental accounting identifies resource measures, use and communicates national economic effect on the environment and costs of a company. Environmental accounting is an essential tool to help in management of operational and environmental costs of natural resources (Lawala, Agbib & Mustaphac, 2018). Environmental accounting entails board size and structure, ownership structure as well as corporate social responsibility.

Mohammed (2018) performed a research on influence of ownership structure on firm performance: evidence from Jordan. The study aimed at investigating the association between ownership structure and firm performance of firms quoted in Jordanian stock exchange. Owner's

identity as well as ownership concentration including family ownership, block holders, managerial as well as institutional ownership is taken as study independent variables. On the other hand financial performance was measured through ROA and ROE. Pooled OLS is employed to test hypothesis. The results showed that ownership structure has a positive and significant effect on firm performance in Jordan. The study findings revealed a great deal of conformity with agency theory. Findings further established that firms in Jordan were following concentrated kind of ownership which is commonly family-based.

Aliyu, Adejola and Nguavese (2018) assessed effect of environmental accounting on financial performance of listed financial firms within Nigeria. Moreover, ex-post facto research design was adopted during this study. A sample of 45 out of 57 financial firms quoted on Nigerian Stock Exchange as at December 31st, 2017 was chosen by use of purposive sampling. Secondary data was gathered from yearly Reports, Nigerian Stock Exchange Fact book and sampled firms' Accounts. The study findings revealed that environmental accounting influence financial performance of quoted Nigerian financial firms. Findings found positive significant association between CSR and ownership structure on financial performance of quoted financial firms. Moreover, this study concluded that environmental accounting significantly influence financial performance of quoted financial firms.

Lawala, Agbib and Mustaphac (2018) investigated on the influence of ownership structure on financial performance of quoted Nigerian insurance firms. Ex-post facto was deployed in the research. Additionally in correlation as well as descriptive statistics, multiple regression method via panel data approach was employed for model estimation. Moreover, this study revealed that ownership structure has significant as well as positive influence on financial performance of quoted insurance companies apart from concentrated kind of ownership which has negative

influence. Nevertheless, in relation to firms' size as well as growth the form control study variables, there was diverse evidence of their influence on financial performance.

Othiambo (2015) evaluated effect of environmental reporting and accounting on financial performance of various companies quoted on NSE. The study population comprised of 64 companies quoted as at December 2014 in NSE. Data was gathered by use of census method. Secondary data was gathered from published yearly financial statement of quoted companies. Moreover, regression as well as content analysis was used in data analyses. It was further revealed that even though most companies did not adhere to any guideline of reporting, they reported their environmental as well as social activities by use of monetary kind of presentation. Finally, a positive relationship was established between reporting as well as environmental and social accounting and financial performance of organizations quoted in NSE. Using capital efficiency and intensity as control independent variables, regression analysis was employed to test association between reporting as well environmental and social accounting and financial performance.

Ngatia (2014) performed a research on influence of CSR on financial performance of Kenyan insurance companies. Further, study population comprised of all 51 quoted insurance companies as at December 2013. However, companies that were registered in between the fifth year period or terminated operation in between were excluded from the study. The study concludes that corporate social responsibility investment was negatively associated with financial performance of Kenyan insurance companies. Further, the study concludes that as measured by ROA as well as the rate of inflation, there is negative association between financial performance of Kenyan insurance companies. Additionally, the study also concludes that 91 Day Treasury bill was significant in describing the alterations in financial performance of Kenyan insurance companies.

Furthermore the study came to a conclusion that there exists negative association between financial performance of Kenyan insurance companies as well as Interest on deposit.

Waithira (2015) performed a research on effect of environmental accounting on performance of Kenyan insurance companies. Specific study objective was to investigate association between CSR practices and the financial performance of Kenyan insurance companies. Study targeted 48 registered insurance companies but complete data could be obtained for only 21 companies. The study was carried out for five years from 2009 to 2013 and used multiple regression and correlation analysis to analyze data obtained and a linear regression equation was employed to represent research findings. From the research, corporate social responsibility involvement has a very minimal positive association with financial performance of Kenyan insurance companies.

Robert, Lyria and Mbogo (2016) performed a research on effect of CSR on financial performance of companies quoted at NSE, Kenya. Descriptive research design was employed during the research. Moreover, the study population constituted of forty nine firms out of sixty three quoted firms in NSE. Moreover, secondary data was gathered from NSE handbook as well as financial statements. Research findings discovered that spending on CSR had strong and positive significant effect on firm profitability as well as asset growth of firms quoted in NSE.

Kanwal *et al.* (2013) examined the impact of corporate social responsibility on firms' financial performance. This paper tries to explore correlation between CSR and firms' financial performance by acquiring data from fifteen companies quoted on Karachi stock exchange, by use of correlation analysis to find the reason as well as impact of association. The CSR is the basis to understand organization responsibilities towards society where organization implements their activities. Financial performance plays an essential role to accomplish corporate social

responsibility activities as the strong financial performance findings in provision of reasonable and necessary funds and investments to conduct their social activities. Moreover, these corporate social responsibility activities enhance firm's profitability, social value as well as reputation. The study findings indicate that there exists a considerable positive association between corporate social responsibility and firm financial performance, and firms expenditure on corporate social responsibility benefits from consistent long term sustainable growth and also enjoy improved financial performance.

2.3.4 Corporate Governance, Voluntary Accounting Disclosures and Financial Performance

Corporate governance is a structure to monitor and control management decisions on behalf of stakeholders, which eventually leads towards higher disclosure level and enhanced transparency. Furthermore, it also strengthens the disclosure quality and transparency by having optimum composition of corporate governance mechanism (Damagum & Chima, 2013). Eventually, the increase in disclosure quality results in positive stock market response, as the investors favor relevant and value added information. Additionally, this allows corporations to become more trustworthy and increases trust among investors.

Li and Qi (2018) examined the effect of corporate governance on voluntary disclosure in Chinese listed companies. The study used secondary data from 100 non-financial Chinese listed firms for the period 2003-2005. The study found that corporate governance had a positive effect on voluntary disclosure. The results also indicated that firms with high managerial ownership have high level of voluntary disclosure. If a firm has a high managerial ownership, managers are much more concerned about the benefit of shareholders and stock options will have incentives to contribute the firm. Thus, a capital structure with high managerial ownership decreases agency

costs and increases the voluntary disclosure. The largest shareholders have a strong interest in firm performance and therefore a high ability to increase voluntary disclosure.

Al-Nimer (2019) conducted a study on the effect of corporate governance rules on voluntary disclosure in Jordanian Corporations Listed with the Amman Stock Exchange (ASE). The study was conducted based on the annual reports of the first market that include 55 firms. Content analysis was applied to collect the required data from several sectors (financial, insurance, services, and industrial sectors) from 2016 to 2017. The results indicate a negative association among family ownership ratio, size of the audit committee, and voluntary disclosure level. However, the study shows that the size of the board of directors has a significant positive relationship with the level of voluntary disclosure. Furthermore, the results show that CG rules (size of the board of directors, size of the audit committee, and family ownership ratio) have a significant positive relationship with the voluntary disclosure level of the companies listed with ASE.

Elfeky (2017) conducted a study on the relationship between corporate governance and voluntary disclosure in Egypt. The study used secondary data collected from Egyptian Stock Exchange (EGX). The results indicated that the average level of voluntary disclosure was 34.2 percent. In addition, there was a negative relationship between block-holder ownership with voluntary disclosure. Nonetheless, there was no significant correlation between board size, Audit committees, and Duality in position, and the overall corporate governance voluntary disclosure.

Damagum and Chima (2013) carried out a study on the relationship between corporate governance and voluntary information disclosures of quoted firms in Nigeria. The main objective of this study is to empirically investigate the impact of corporate governance on voluntary

information disclosures of quoted companies in Nigeria using data from 385 annual reports from a sample of 35 quoted companies during 1999 – 2009. The study also adopted Pre and Post approach to study the significant difference on information disclosures during pre and post corporate governance codes era in Nigeria. The study reveals that corporate governance has a positive and significant impact on financial reporting of quoted firms in Nigeria and that the level of voluntary disclosure has significantly improved after the introduction of corporate governance codes in Nigeria.

2.5 Conceptual Framework

Conceptual framework refers to a diagrammatic representation of various concepts as well as variables in a research study. Figure 2.1 presents hypothesized relationships between study independent variables as well as dependent variable. Moreover, independent variables comprise financial information disclosure, forward looking information disclosure, and environmental accounting.

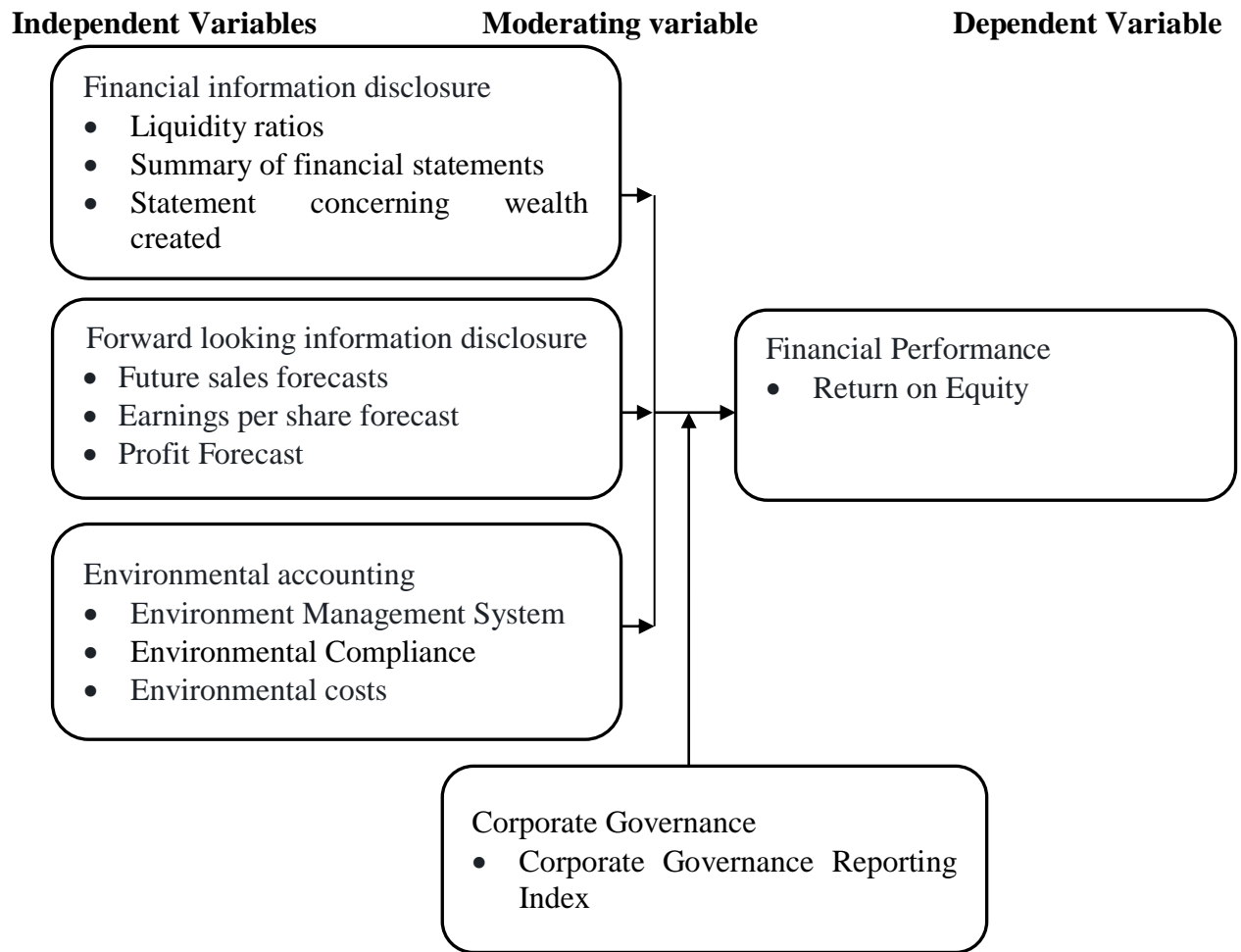


Figure 2. 1: Conceptual Framework

2.6 Operationalization of Research Variables

Table 2.1: Operationalization of Research Variables

Objective	Variable Type	Indicators	Measures	Type of data analysis
To determine effect of financial information disclosure on financial performance of all insurance companies in Kenya	Independent • Financial information disclosure	<ul style="list-style-type: none"> • Statement concerning wealth created • Liquidity ratios • Summary of financial statements 	• Ratio	<ul style="list-style-type: none"> • Linear regression analysis • Pearson correlation • Descriptive statistics
To evaluate effect of forward looking information disclosure on financial performance of Kenyan insurance companies	Independent • Forward looking information disclosure	<ul style="list-style-type: none"> • Future sales forecasts • Earnings per share forecast • Profit Forecast 	• Ratio	<ul style="list-style-type: none"> • Linear regression analysis • Pearson correlation • Descriptive statistics
To evaluate effect of environmental accounting on financial performance of Kenyan insurance companies	Independent <ul style="list-style-type: none"> • Environmental accounting Dependent <ul style="list-style-type: none"> • Financial performance 	<ul style="list-style-type: none"> • Environment Management System • Environmental Compliance • Environmental cost <ul style="list-style-type: none"> • Return on Assets • Return on Equity 	• Ratio	<ul style="list-style-type: none"> • Linear regression analysis • Pearson correlation • Descriptive statistics <ul style="list-style-type: none"> • Linear regression analysis • Pearson correlation • Descriptive statistics
To examine moderating influence of corporate governance on the relationship between voluntary accounting disclosure and financial performance of Kenyan insurance companies	Moderating • Corporate Governance	<ul style="list-style-type: none"> • Company market to book ratio • Board members • Closing price of stock 	• Ratio	<ul style="list-style-type: none"> • Linear regression analysis • Pearson correlation • Descriptive statistics

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents procedures which were deployed in the research to select respondents and analyse data. Moreover, the chapter comprises the research design, study population, census as well as data collection tools. The chapter also comprises of data collection procedures, data analysis as well as presentation and ethical considerations.

3.2 Research design

A research design implies to the total strategy chosen so as to integrate diverse study components in logical as well as coherent way, thus, ensuring the research problem is addressed effectively; it composes blueprint for data gathering, measurement, as well as analysis. According to Babbie (2017), a research design is the blue print that increases smooth flow of diverse research operations, thus enhancing research efficiency and thus leading to maximum information that is less expenditure in terms of money, effort and time. This study used an explanatory research design. Additionally, explanatory research discloses that, any research question is aimed to describe instead of describing event being studied. Moreover, explanatory studies are intended to examine whether one particular occurrence triggers another (Bhattacharjee, 2012). In this survey explanatory research design was the most appropriate research design in showing how voluntary accounting disclosures affect financial performance of insurance companies in Kenya.

3.3 Target Population

Target population refers to a set of entities containing observable features which is utilized to generalize study results (Russell, 2013). As stated by Stokes (2017) population is a set of articles, people, items, objects/cases with common features. The unit of analysis in this study was the insurance companies in Kenya and the unit of observation was the heads of finance in the insurance companies. According to Insurance Regulatory Authority (2018), there are 55 insurance companies in Kenya. The study targeted all the 55 Kenyan insurance companies. The sampling frame was the 55 Kenyan insurance companies.

The study used census approach and consisted of 55 insurance companies in Kenya. A census is best used in small populations. As stated by Sahu (2013) census sampling design eradicates sampling error, is appealing for small populations, and gives data on all persons within the population. Census refers to the quantitative research method, in which all the members of the population are enumerated. It is considered to be a complete count of the whole population, wherein each and every unit of the population is included in the collection of data. One of the advantages of census is that the results drawn by conducting a census are accurate and reliable while there are chances of errors in the results drawn from the sample.

3.4 Research Instrument

The research made use of secondary panel data. Data that researcher has previously gathered and also readily available from some other sources is what is referred to as secondary data. Such kind of data are cheaper as well as more rapidly obtainable than primary data and further may be easily available when primary data are not obtainable at all. The benefit of deploying secondary data is that most of the initial work is done (Bryman & Cramer, 2012). Data obtained may have

previously been ordered in an electronic format, published and then reviewed with case researches previously done. Common sources of secondary data include published articles, research projects, annual reports, census, publications, newspapers and magazines (Creswell, 2014). In this research study, secondary data on financial information disclosure, forward looking information disclosure, and environmental accounting and financial performance of insurance companies will be acquired from financial statements of the insurance companies and from Insurance Regulatory Authority supervision reports. The study used a data extraction tool to collect secondary data. Data extraction refers to a process which involves retrieval of all types and format of data out of unstructured sources of data.

The financial statements for each company were subjected to the voluntary disclosure checklist shown in Appendix II. Each voluntary disclosure was assigned a % (percentage) score which was computed as a ratio of items disclosed for each class in relation to the total disclosure items in the index for each category. The scores for each category were then summed up and recorded to facilitate the process of data analysis.

3.6 Data Collection Procedure

Prior to the data gathering exercise, researcher acquired a letter of collecting data from KCA University, followed by authorization letter from NACOSTI. Afterwards, the researcher visited the Insurance Regulatory Authority and obtained financial and annual reports covering the period between 2015 and 2019. In addition, the researcher visited the websites of each of the 55 insurance companies and obtained their financial reports for the period between 2016 and 2020.

3.7 Data Processing and Analysis

The secondary data generated panel data. Panel data is a multi-dimensional data composing measurements over period of time. Moreover, panel data comprise multiple phenomena observations attained over multiple periods of time for similar individuals/firms (Collis & Hussey, 2014). This survey involved a time period of 5 years and further involved insurance companies. Additionally, in the analysis of data, the survey used both inferential and descriptive statistics and all statistical analysis were carried out using STATA version 14. Descriptive statistics comprised of frequency distributions, mean, percentages, variances as well as standard deviation. Inferential statistics were carried out using regression analysis. Study results were presented in both tables and figures such as line graphs.

Regression model in present study will be as shown below;

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon \quad (1)$$

Whereby Y = Financial Performance

B_0 = Constant

$\beta_1 - \beta_4$ = Coefficients of determination

X_1 = Financial information disclosure

X_2 = Forward looking information disclosure

X_3 = Environmental accounting

ε = Error term

t subscript represented time

i subscript represented number of observations

Linear regression has five key assumptions, which include linear relationship, data is no multi collinearity, no homoscedasticity, auto-correlation, unit root and Hausman Test.

3.7.1 Test of Normality

Majority of parametric tests need normality assumption to be met. Additionally, normality implies that test distribution is normally distributed or bell-shaped with 1 as standard deviation, with 0 mean, and a symmetric curve which is bell shaped (Singpurwalla, 2013). It is almost impossible to gather data from exact normal distribution. Nonetheless, many naturally happenings phenomena normally follow a close estimated normal distribution (Creswell, 2014). To fulfill the requirement of normal distribution, to examine whether variables are distributed normally or not Shapiro Wilk test (Sahu, 2013). The test of null-hypothesis is that population is distributed normally. Hence, rejection of null hypothesis is done if p-value is lower than selected alpha level, and there is a proof that tested data are however not obtained from population that is distributed normally; in few words, data are abnormal. In contrast, if p-value is beyond selected alpha level (0.05), null hypothesis that data originate from a given population that is distributed normally cannot be rejected.

3.7.2 Multicollinearity Test

Multicollinearity refers to a phenomenon in which either two or more predictor variables within multiple regression model are greatly related, implying that one can be predicted linearly from others with considerable degree of correctness. In this survey, testing of multicollinearity was done by deploying Variance Inflation Factor (VIF). The VIF quantifies multicollinearity severity in a regression analysis of ordinary least squares (Singpurwalla, 2013). It gives an index that gauges the variance (square of standard deviation estimate's) of an approximated regression coefficient is improved as a result of collinearity. Moreover, general rule of thumb indicates

VIFs beyond 4 indicates more research, whilst VIFs beyond 10 are indicators of serious multicollinearity necessitating correction.

3.7.3 Autocorrelation Test

Autocorrelation give rise to bias and hence spurious estimates. Additionally, serial correlation normally denotes that there is association between stochastic random error terms of following time periods (Bryman, 2013). In order to test for this, present study used Breusch-Godfrey LM test for association. The Breusch–Godfrey serial correlation LM test is an autocorrelation test in the errors within a regression model. Moreover, it normally uses residuals from the model under consideration in any regression analysis and a test statistic is obtained from these. Moreover, null hypothesis is that there is absence of serial association.

3.7.4 Heteroscedasticity Test

In regression analysis application, existence of heteroscedasticity is a key affair, including variance analysis, as it can invalidate significance statistical tests which believe that modelling errors are uniform as well as uncorrelated - thus their variances don't differ with impacts being modelled (Creswell, 2014). For example, while estimator of ordinary least squares is yet unbiased in presence of heteroscedasticity, it is not efficient since true covariance and variance and are underestimated. The study used Breusch-Pagan/Cook-Weisberg test in order to assess for Heteroscedasticity. Breusch-Pagan or Cook-Weisberg tests null hypothesis that there is no heteroscedasticity in a data.

3.7.5 Unit Root Test

In order to examine data stationarity, this survey employed The Im, Pesaran and Shin (IPS) test. The Im-Pesaran-Shin (IPS) test sanctions for heterogeneous coefficients. Im, Pesarian and Shin meant IPS suggests a test for unit roots presence in panels which integrates information from

time series dimension with that from cross section dimension (Bryman & Cramer, 2012). Given that IPS test is a very superior test to analyse panel data. Under null hypothesis, there exists unit root, whereas under substitute hypothesis is that there exists a partial unit root.

3.7.6 Hausman Test

Hausman Test, also referred to as Hausman specification, is deployed in endogenous repressors detection in regression model (Sahu, 2013). In regression model, endogenous repressors presence may bring about estimators of OLS to fail. Due to this it is believed that association is not existence between error term and predictor variable. Null hypothesis is that random impact is preferred model whereas fixed impact mode is alternative hypothesis.

3.8 Ethical Considerations

The study used secondary data that is available to the public. The IRA is the regulator of insurance sector. One of the requirements of IRA is that all insurance firms ought to disclose their financial statement records to the public. The researcher used secondary data during this study. Besides that, the researcher obtained data from the IRA, which was used for learning reasons only. Further, the researcher adhered to owners' ethical consideration when using the secondary data. Furthermore, researcher acknowledged the effort of other academicians, scholars and writers so as to provide evidence that supported the assertions and claims in ownership of this research.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This section entails analysis of data, presentation as well as interpretation of study results as well as discussion as regards the objective of this study. The aim of the research was to assess influence of voluntary accounting disclosures on financial performance of Kenyan insurance companies. This chapter begins with response rate, followed by descriptive analysis of the four independent and dependent variable, diagnostic tests and regression analysis.

4.2 Response Rate

Study's sample size was 55 insurance companies in Kenya. The researcher managed to obtain data from 40 insurance companies for the period between 2016 and 2020. Therefore, response rate of 72.72% was obtained. As stated by Fincham (2010), response rate of 60 percent is acceptable for analysis and a response rate of 70 percent and above is excellent and can be used for analysis, for making conclusions as well as making inferences regarding a population.

4.3 Descriptive statistics

Descriptive statistics comprise of frequency distribution, percentage, spread measurements, and central tendency measures. Minimum values, variance, standard deviation, maximum values, kurtosis, and skewness are common spread measures. The median, mean, and mode are examples of central tendency metrics in a data set. The standard deviation, mean, maximum, and minimum of the dependent variable were calculated using descriptive statistics in this study (return on equity) and independent variables (financial information disclosure, forward looking information disclosure, environmental accounting), and the moderating variable (corporate governance). The findings are shown in Table 4.1.

Table 4. 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	200	2.4317	18.53415	-79.24	48.26
FI	200	59.8125	20.27905	25	87.5
FLI	200	62.7785	19.44726	22.22	88.89
EA	200	60.80745	16.38809	15.38	92.31
CGRI	200	65.4	17.73167	30	90

There were 200 observations from the 40 insurance companies covering a period of five years (2016 to 2020). The average return on equity among the 40 insurance companies was 2.4317 per cent and the standard deviation was 18.53415 per cent. The minimum return on equity was -79.24 per cent and the maximum return on equity was 48.26 per cent.

The average financial information disclosure index among the 40 insurance companies for the period between 2016 and 2020 was 59.8125 percent and the standard deviation 20.27905 percent. The minimum financial information disclosure index was 25 per cent and the maximum was 87.5 percent. In addition, the average forward looking information disclosure index among the 40 insurance companies for the period between 2016 and 2020 was 62.7785 per cent and the standard deviation was 19.44726 per cent. The maximum forward looking information disclosure index was 22.2 per cent and the maximum was 88.89 percent

The average environmental accounting disclosure index among the 40 insurance companies for the period between 2016 and 2020 was 60.80745 per cent and the standard deviation was 16.38809 per cent. The maximum environmental accounting disclosure index during the study period was 15.38 per cent and the maximum was 92.31 per cent. Further, the average corporate governance reporting index among the 40 insurance companies for the period between 2016 and

2020 was 65.4 per cent and the standard deviation was 17.73167 per cent. The minimum corporate governance reporting index was 30 per cent and the maximum was 90 per cent.

4.4 Diagnostic Tests

The study used diagnostic tests to measure assumptions of regression analysis. Moreover, diagnostic tests focused on autocorrelation test, normality test, heteroscedasticity test, multi-collinearity test, Hausman test and unit root tests.

4.4.1 Test for Normality

Normality was tested by employing Shapiro–Wilk test. This tests null hypothesis is that population is normally distributed. Moreover, the null hypothesis is rejected if p-value is below 0.05 (selected alpha level), indicating that the data tested are not from normally distributed population. If p-value is greater than 0.05 (alpha level), we cannot reject null hypothesis that data is obtained from a normally distributed population.

Table 4. 2: Shapiro-Wilk Test

	Obs	W	V	Z	Sig.
Return on Equity	200	0.97979	1.003	0.526	.562
Financial information disclosure	200	0.99266	1.095	0.209	.417
Forward looking information disclosure	200	0.98542	1.175	1.288	.136
Environmental accounting	200	0.98942	1.578	1.049	.147
Corporate governance	200	0.98595	1.095	1.498	.075

From the results, the P-values for return on equity (0.562), financial information disclosure (0.417), forward looking information disclosure (0.136), Environmental accounting (0.147) and corporate governance (0.075) are higher than 0.05. Therefore, null hypothesis is not rejected and we conclude that the data of this study is normally distributed.

4.4.2 Heteroscedasticity Test

Homoscedasticity suggests that the regression model is well-defined and it provides a good explanation of the performance of the dependent variable. The null hypothesis is that there is constant variance while the alternative hypothesis is that there is heteroscedasticity. Reject null hypothesis if P-value is above 0.05.

Table 4. 3: Cook-Weisberg Test for Heteroscedasticity

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of ROE

chi2(1)          =      0.58
Prob > chi2     =      0.4451
```

As depicted in Table 4.3, p- value of 0.4451 was greater than significance level of 0.05 and we fail to reject null hypothesis. This implies that there was homoscedasticity in the data set (the error terms have a constant variance).

4.4.3 Multi-collinearity Test

The variance inflation factor quantifies severity of multi-collinearity in OLS regression analysis. Moreover, it gives an indicator that evaluates how much collinearity increases variance (square of estimate's standard deviation) of regression coefficient estimated. A study variable whose VIF is higher than 10 may necessitate further study.

Table 4. 4: Collinearity Statistics

Variable	VIF	1/VIF
FI	6.22	0.160715
FLI	5.47	0.182764
EA	3.18	0.314687
Mean VIF	4.96	

Variance Inflation Factors for the independent, financial information disclosure (6.22), forward looking information disclosure (5.47) and environmental accounting (3.18), were less than 10. This implies that there was no severe multi-collinearity. This implies that the results of the multiple regression equation are not misleading, since the independent study variables in the multiple regression equation are not highly related among themselves.

4.4.4 Autocorrelation Test

The Lagrangian multiplier test helps decide between a random effects regression and a simple OLS regression. The null hypothesis in the LM test is that variances across entities are zero. This implies no significant difference across units (i.e. no panel effect). The results were as shown in Table 4.5.

Table 4. 5: Breusch-Godfrey Langrage Multiplier test

Breusch and Pagan Lagrangian multiplier test for random effects

$$ROE[Company,t] = Xb + u[Company] + e[Company,t]$$

Estimated results:

	Var	sd = sqrt(Var)
ROE	3710.269	60.91198
e	2036.141	45.12362
u	864.2981	29.39895

Test: $Var(u) = 0$

chibar2(01) = 30.48
Prob > chibar2 = 0.0000

As shown in Table 4.5, the p-value (0.000) is less than the significance level (0.05), we can conclude that variances across entities are not zero, which means that there is significant difference across units (there is panel effect).

4.4.5 Unit Root Test

IPS suggests a test for existence of unit roots in panels that incorporates data from both time series and also cross section dimensions. IPS test was used in this study because it is a superior test for analyzing panel data. Null hypothesis is that there is a unit root (panels not stationary), while alternative hypothesis is that there is partial unit root or panels are stationary.

Table 4. 6: IPS Unit-Root Test

Variable	p-value	Fixed-N exact critical values		
		1%	5%	10%
Return on Equity	0.000	-2.200	-1.950	-1.850
Financial information disclosure	0.000	-2.200	-1.950	-1.850
Forward looking information disclosure	0.000	-2.200	-1.950	-1.850
Environmental accounting	0.000	-2.200	-1.950	-1.850
Corporate governance	0.000	-2.200	-1.950	-1.850

The null hypothesis indicated that return on equity, in all panels (40 insurance companies) contains unit roots and the alternative hypothesis was that some panels are stationary. Since the p-value (0.000) was less than the significance level (0.05), we reject the null hypothesis. This implies that return on equity has partial unit root or some panels are stationary.

In relation to the financial information disclosure, the null hypothesis is that financial information disclosure in all panels (40 insurance companies) contains unit roots and the alternative hypothesis was that some panels are stationary. Since the p-value (0.000) is less than the significance level (0.05), we can fail to accept the null hypothesis and conclude that financial information disclosure has partial unit root or some panels are stationary. In relation to forward looking information disclosure, the null hypothesis is that forward looking information disclosure in all panels (40 insurance companies) contains unit root. Since the p-value (0.000) was less than the significance level (0.05), we can fail to accept the null hypothesis and conclude that forward looking information disclosure has partial unit root or some panels are stationary.

In regard to environmental accounting, the null hypothesis is that environmental accounting in all panels (40 insurance companies) contains unit root. Since the p-value (0.000) was less than

the significance level (0.05), we can fail to accept the null hypothesis and conclude that environmental accounting has partial unit root or some panels are stationary. In addition, for the moderating variable corporate governance, the null hypothesis was that corporate governance in all panels (40 insurance companies) contains unit root. Since the p-value (0.000) was less than the significance level (0.05), we can fail to accept the null hypothesis and conclude that corporate governance has partial unit root or some panels are stationary.

4.4.6 Hausman Test

The Hausman Test was used to determine whether endogenous repressors were present in a given regression model (Bryman & Cramer, 2012). The existence of an endogenous repressor causes the OLS estimator to fail. As a result, the absence of association between error terms and predator factors is postulated. In this study, the null hypothesis was that the random effect model was the most favored model, while the alternative hypothesis was the fixed effect model.

Table 4. 7: Hausman Test

	—— Coefficients ——			
	(b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
FI	2.207371	1.986147	.2212241	.1944046
FLI	-2.739033	-2.634704	-.1043291	.2048042
EA	1.59917	1.771108	-.1719377	.2598481

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned}
 \text{chi2}(3) &= (b-B)' [(V_b-V_B)^{-1}] (b-B) \\
 &= 1.39 \\
 \text{Prob}>\text{chi2} &= 0.7088
 \end{aligned}$$

As depicted in Table 4.7, Housman specification test p value (0.7088) was above alpha value of 0.05. This implies that null hypothesis is not rejected and we conclude that random effects model is the preferred panel data model for this study.

4.5 Regression Analysis

Panel data regression analysis was deployed to measure nature and significance of relationship between independent variables and dependent variable. Regression model in present study was as shown below;

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon \quad (1)$$

Whereby; Y = Financial Performance; B_0 = Constant; β_1 - β_3 =Coefficients of determination; X_1 = Financial information disclosure; X_2 = Forward looking information disclosure; X_3 = Environmental accounting; ε = Error term; t subscript represented time; i subscript represented number of observations.

Table 4. 8: Regression Results for Voluntary Accounting Disclosures and Financial Performance

```

Random-effects GLS regression           Number of obs   =       200
Group variable: Company                Number of groups =        40

R-sq:  within = 0.2842                  Obs per group: min =         5
      between = 0.1863                    avg =         5.0
      overall = 0.2452                    max =         5

corr(u_i, X) = 0 (assumed)              Wald chi2(3)    =       71.42
                                           Prob > chi2     =       0.0000

```

ROE	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
FI	1.986147	.4485575	4.43	0.000	1.10699	2.865303
FLI	-2.634704	.4446281	-5.93	0.000	-3.506159	-1.763249
EA	1.771108	.431693	4.10	0.000	.9250052	2.617211
_cons	-62.59378	14.24098	-4.40	0.000	-90.50558	-34.68198
sigma_u	29.398946					
sigma_e	45.123623					
rho	.29798866	(fraction of variance due to u_i)				

The model was fitted as follows;

$$ROE = -62.59378 + 1.986147X_1 - 2.6347054X_2 + 1.771108X_3$$

In the results, the r-squared illustrates how the independent variables can explain a proportion of the dependent variable. The r-squared for an association between voluntary accounting disclosures and financial performance of insurance companies was 0.2452. This implies that independent variables (financial information disclosure, forward looking information disclosure, environmental accounting) explain 24.52% of the variations in the dependent variable (financial performance measured in terms of return on equity). For F-test, the P-value was 0.000, which is below significance level of 0.05 which indicates that model deployed is a good fit for the data.

The coefficients are interpreted in terms of both within-entity and between-entity impacts. Data in this study indicates the average effect of X over Y when X varies by one unit across time

and between companies. Furthermore, two-tail p-values examine if each coefficient is different from zero. P-value must be below 0.05 to reject this; if this is the case, the variable has substantial impact on dependent variable (Y).

From the findings, financial information disclosure had significant positive effect on the financial performance of insurance companies in Kenya as illustrated by a beta coefficient of 1.986147 as well as P-value of 0.000. This means that unit increase in financial information disclosure index would lead to a 1.986147 increase in financial performance of insurance companies in Kenya. Since p-value (0.000) was below significance level (0.05), we reject null hypothesis and come to a conclusion that financial information disclosure has a positive and significant effect on the financial performance of insurance companies in Kenya. Findings conform to those of Aanu, Oluku and Clementin (2015) who discovered that FID affects financial performance of an organization.

In addition, forward looking information disclosure had a significant and inverse effect on the financial performance of insurance companies in Kenya as illustrated by a beta coefficient of - 2.634704 as well as P-value of 0.000. This means that unit increase in forward looking information disclosure index would lead to a 2.634704 decrease in financial performance of insurance companies in Kenya. Since p-value (0.000) was below significance level (0.05), we reject null hypothesis and come to a conclusion that forward looking information disclosure has an inverse and significant effect on the financial performance of insurance companies in Kenya. The results are in agreement with those of zakharova, vinichuk and maksimova, (2016) who revealed that forward looking information disclosure influences organization performance.

Further, environmental accounting had significant positive effect on the financial performance of insurance companies in Kenya as illustrated by a beta coefficient of 1.771108 as well as P-value of 0.000. This means that unit increase in environmental accounting would lead to a 1.771108 increase in financial performance of insurance companies in Kenya. Since p-value (0.000) was below significance level (0.05), we reject null hypothesis and come to a conclusion that environmental accounting has a positive and significant effect on the financial performance of insurance companies in Kenya. The results are in agreement with those of Mohammed (2018) who revealed that environmental accounting influences organizational performance.

4.6 Moderating Effect Analysis

A moderator is a variable that affects the direction and the strength of the relationship between an independent or predictor variable and a dependent criterion variable. This variable may reduce or enhance the direction of the relationship between a predictor variable and a dependent variable, or it may change the direction of the relationship between the two variables from positive to negative (Sahu, 2013). A moderator is supported if the interaction of predictor and moderator on the outcome of the dependent variable is significant. Regression model in present study was as shown below;

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon$$

Whereby; Y = Financial Performance; B_0 = Constant; β_1 - β_4 =Coefficients of determination; X_1 = Financial information disclosure; X_2 = Forward looking information disclosure; X_3 = Environmental accounting; X_3 = Corporate Governance; ε = Error term; t subscript represented time; i subscript represented number of observations

Table 4. 9: Moderating Effect for Regression Results for Voluntary Accounting Disclosures, Corporate Governance and Financial Performance

```

Random-effects GLS regression              Number of obs      =      200
Group variable: Company                   Number of groups   =       40

R-sq:  within = 0.2967                    Obs per group: min =       5
      between = 0.2225                      avg =      5.0
      overall = 0.2674                      max =       5

corr(u_i, X) = 0 (assumed)                Wald chi2(4)       =      77.25
                                           Prob > chi2        =      0.0000

```

ROE	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
FI	1.600093	.4795336	3.34	0.001	.660224	2.539961
FLI	-2.95089	.4649232	-6.35	0.000	-3.862123	-2.039657
EA	1.53878	.4413798	3.49	0.000	.6736914	2.403869
CGRI	1.039179	.4857052	2.14	0.032	.0872144	1.991144
_cons	-73.48829	14.99655	-4.90	0.000	-102.881	-44.0956
sigma_u	29.036545					
sigma_e	44.862024					
rho	.29523915	(fraction of variance due to u_i)				

The model was fitted as follows;

$$ROE = -73.48829 + 1.600093X_1 - 2.95089X_2 + 1.53878X_3 + 1.039179X_4$$

After the addition of the corporate governance in the regression model, the r-squared increased from 0.2452 to 0.2674 showing that the impact of the voluntary accounting disclosures on financial performance of insurance companies increased. In addition, the regression coefficient of financial information disclosure decreased from 1.986147 to 1.600093. Further, the regression coefficient of forward looking information disclosure decreased from -2.634704 to -2.95089. Also, the regression coefficient of environmental accounting decreased from 1.771108 to 1.53878.

The results showed that corporate governance had a positive and significant effect on the financial performance of insurance companies in Kenya as illustrated by a beta coefficient of 1.039179 as well as P-value of 0.032. This means that unit increase in corporate Governance Reporting Index would lead to a 1.039179 increase in financial performance of insurance companies in Kenya. Since p-value (0.032) was below significance level (0.05), we reject null hypothesis and come to a conclusion that corporate governance has a significant effect on the financial performance of insurance companies in Kenya. These results show that corporate governance had a moderating effect on the relationship between voluntary accounting disclosures and financial performance of insurance companies in Kenya. These findings agree with Li and Qi (2018) findings that corporate governance had a moderating effect on the relationship between voluntary accounting disclosures and financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the key findings, conclusions drawn from the findings, recommendation and suggestions for further studies. This is carried out as per study objectives. The general study objective was to assess whether voluntary accounting disclosures influences financial performance of Kenyan insurance companies. Specifically, the researcher examined the influence of financial information disclosure, forward looking information disclosure, environmental accounting and the moderating effect of corporate governance on financial performance of Kenyan insurance companies.

5.2 Summary

5.2.1 Effect of Financial Information Disclosure on Financial Performance

Results found that that financial information disclosure has positive as well as significant impact on financial performance of Kenyan insurance companies. This implies that an improvement in financial information disclosure would improve financial performance of Kenyan insurance companies. As such, the disclosure of historical summary of financial data for the last 6 years or over and review of current financial results and discussion of major factors underlying performance leads to improvement in financial performance. In addition, the disclosure of statement concerning wealth created (value added statement) and supplementary inflation adjusted financial statement has an effect on financial performance. Also, an improvement in Return on assets, Return on shareholders' funds, Liquidity ratios and Bank loans and mortgages leads to an improvement in financial performance.

5.2.2 Effect of Forward Looking Information Disclosure on Financial Performance

The study found that that forward looking information disclosure has significant and inverse effect on financial performance of Kenyan insurance companies. This implies that an improvement in forward looking information disclosure would lead to a decrease financial performance of insurance companies in Kenya. The study found that disclosure of information on factors that may affect future performance, likely effect of business strategy on future performance and new product/service development has no effect on financial performance of insurance companies. Further, the study established that planned capital expenditure, planned research and development expenditure and planned advertising and publicity expenditure have no effect on financial performance. In Addition, the study established that earnings per share forecast, sales revenue forecast and profit forecast have no effect on financial performance.

5.2.3 Effect of Environmental Accounting on Financial Performance

The research revealed that environmental accounting has positive significant impact on financial performance of insurance companies in Kenya. This implies that an improvement in environmental accounting would improve financial performance of insurance companies in Kenya. The study revealed that the disclosure of information like existence of environment policy, management concern for environment, environment management system and environmental compliance had an effect on financial performance of insurance companies. The study further revealed that environmental cost identification and recording, waste management (recycling, reduction and reuse), and environmental budget/ spending and activities had an effect on financial performance of insurance companies. The study also established that environmental impact assessment and risk management, presence of an environmental audit program, environmental research and development, innovation and ways to reduce environmental

degradation, energy policy and carbon emission reports had an effect on financial performance of insurance companies.

5.2.4 The Moderating Effect of Corporate Governance on Voluntary Accounting Disclosure and Financial Performance

The study found that corporate governance has statistically significant impact on the association between voluntary accounting disclosures and financial performance of Kenyan insurance companies. This implies that an improvement in corporate governance reporting index would lead to an improvement in the relationship between voluntary accounting disclosures and financial performance of Kenyan insurance companies. The study found that the reporting of company market to book ratio at end of financial year, number of outstanding shares at end of financial year, closing price of stock at end of financial year, net sales as per income statement at end of financial year and net profit as per income statement at end of financial year had an effect on financial performance of insurance companies.

The study found that the reporting of total debt (short and long term) as per balance sheet at end of financial year, total equity as per balance sheet at end of financial year and total number of board members at end of financial year had an effect on financial performance of insurance companies. The study revealed that the number of independent directors at end of financial year and the number of non-executive directors at end of financial year had an effect on financial performance of insurance companies.

5.3 Conclusion

This study concludes that financial information disclosure has positive and significant effect on financial performance of insurance companies in Kenya. This means that an improvement in the

disclosure of information on historical summary of financial data, review of current financial results, return on assets, return on shareholders' funds, liquidity ratios and bank loans and mortgages leads to an improvement in financial performance.

In addition, the study concludes that forward looking information disclosure has an inverse and significant effect on financial performance of insurance companies in Kenya. Moreover, the study found that an improvement in the disclosure of new product/service development, planned capital expenditure, planned research and development expenditure, planned advertising and publicity expenditure, earnings per share forecast, sales revenue forecast and profit forecast would lead to an improvement in the financial performance of insurance companies

Further, the researcher concludes that environmental accounting information disclosure has positive and significant impact on financial performance of insurance companies in Kenya. The study established that an improvement in the disclosure of environment policy, environment management system, environmental compliance, environmental cost identification, waste management, environmental budget, environmental risk management, environmental audit program, energy policy and carbon emission reports would lead to an improvement in the financial performance of insurance companies

The study concludes that corporate governance has statistically significant effect on the relationship between voluntary accounting disclosures and financial performance of insurance companies in Kenya. The study found that the disclosure of Closing price of stock, number of outstanding shares, total debt, total equity, board members and independent directors as well as non-executive directors would lead to an improvement in the relationship between voluntary accounting disclosures and financial performance.

5.4 Recommendations

The results found that financial information disclosure influences financial performance of Kenyan insurance companies. This study thus recommends that insurance companies should improve the disclosure of information such as return on assets, return on shareholders' funds, liquidity ratios, bank loans and mortgages and historical summary of financial data among others.

The study found that forward looking information disclosure has a negative effect on financial performance due to its low utilization. The study thus recommends that the management of insurance companies should increase the use of forward looking information disclosure including profit forecast, earnings per share forecast, new product/service development as well as planned research and development expenditure, capital expenditure and advertising and publicity expenditure.

The study also revealed that environmental accounting affects the financial performance of Kenyan insurance Companies. This study thus recommends that top management of insurance companies should improve the use of environmental accounting including environment policy, environment management system, environmental compliance, environmental cost identification, waste management and environmental budget among others.

The study further revealed that corporate governance moderates relationship between voluntary accounting and performance of financial institutions. This study thus recommends that management of insurance companies should ensure the disclosure of information on total debt, net sales, executive directors, number of outstanding shares, non-executive directors and total equity.

The study found that financial information disclosure and environmental accounting had a significant effect on financial performance of insurance companies in Kenya. Therefore, to the policy makers, the study recommends that they should develop and implement policies to improve financial information disclosure and environmental accounting among Insurance Companies in Kenya so as to improve performance.

To the investors, the study recommends that they should put into consideration firms that consider financial information disclosure and environmental accounting in their annual reports. In addition, investors should not focus on forward looking information of firms as it does not affect financial performance considerably. As such, they should consider financial information disclosure and environmental accounting in the annual reports.

5.5 Suggestion for Further Studies

This study was limited to insurance companies in Kenya therefore its findings cannot be generalized to other financial institutions in Kenya. This study therefore recommends further studies in other institutions. The study also found that financial information disclosure, forward looking information disclosure and environmental accounting could explain 24.52% of financial performance of insurance companies in Kenya. The study thus suggests that further studies should be carried out on other factors influencing financial performance of Kenyan insurance companies.

REFERENCES

- Aanu, O. S., Oluku, M. D., & Clementin, K. (2015). Financial Reporting Disclosures Enhance Firm Financial Performance in the Nigerian Manufacturing Companies. *Research gate Journal*, 5(4), 123-134.
- Aliyu, Y. M., Adejola, A. P., & Nguavese, Y. R. (2018). Effect of environmental accounting on financial performance of listed financial firms in Nigeria. *International Journal of Economics, Commerce and Management*, 6(12), 81-99.
- Al-Nimer, M. (2019). Effect Of Corporate Governance Rules On Voluntary Disclosure In Jordanian Corporations Listed With The Amman Stock Exchange (ASE): (An Empirical Study). *Studies in Business and Economics*, 14(1), 154-168.
- Al-Theebbeh, Z.A., Ibraheem N. M. & Khaled, H. (2018). The Impact of Voluntary Accounting Disclosure in the Financial Reports to Rationalize the Investors Decisions in Industrial Companies Listed in the Amman Stock Exchange. *International Journal of Economics and Financial*, 8 (3), 19-193.
- Bryman, A. & Cramer, D. (2012). *Quantitative Data Analysis with SPSS Release 8 for Windows*. New York: Routledge.
- Bryman, A. (2013). Integrating Quantitative and Qualitative Research: How is It Done?' *Qualitative research*, 6(1), 97 – 113.
- Collis, J. & Hussey, R. (2014). *Business Research: A Practical Guide for Undergraduate and Postgraduate Students* 4th Ed. New York: Palgrave Macmillan.

- Cotter, J., Lokman, N. & Najah, M. (2011). Voluntary Disclosure Research: Which Theory Is Relevant?. *The Journal of Theoretical Accounting Research*, 6, 77-95.
- Damagum, Y.M. & Chima, E. (2013). The Impact of Corporate Governance on Voluntary Information Disclosures of Quoted Firms in Nigeria: An Empirical Analysis. *Research Journal of Finance and Accounting*, 4(13), 166-181.
- Deswanto, R.B. and Siregar, S.V. (2018). The associations between environmental disclosures with financial performance, environmental performance, and firm value. *Social Responsibility Journal*, 14(1), 180-193.
- Duarte, F. (2006). Spivs, Shonks and Sharks: The HIH Collapse as a Moral Tale of Corporate Capitalism. *Social Responsibility Journal*, 2(3/4), 282-290.
- Elfeky, M. (2017). The impact of corporate governance on voluntary disclosure in emerging markets: The case of Egypt. *Australian Journal of Basic and Applied Sciences*, 11, 25-412.
- Elfeky, M.I. (2017). The extent of voluntary disclosure and its determinants in emerging markets: Evidence from Egypt. *The Journal of Finance and Data Science*, 3(1), 45-59.
- Enache, L. & Hussainey, K. (2020). The substitutive relation between voluntary disclosure and corporate governance in their effects on firm performance. *Review of Quantitative Finance and Accounting*, 2, 45-57.
- Freeman, E. (1984). Stakeholder Theory. *Business Ethics Quarterly*, 10(1), 169-180.

- Gitonga, L. K. (2016). Relationship between Voluntary Disclosures and Financial Performance of Companies Listed at the Nairobi Securities Exchange. *Social Responsibility Journal*, 4(4), 82-90.
- Gonga, M.A. (2017). Determinants of Financial Performance of Insurance Firms: A Survey of Selected Insurance Firms in Nairobi County. *The Strategic Journal of Business & Change Management*, 4(8), 123 – 143.
- Hamrouni, A. (2015). Signaling Firm Performance through Corporate Voluntary Disclosure. *The Journal of Applied Business Research*, 31(2), 132-148.
- Hawashe, A. A. (2019). Voluntary Disclosures in the Annual Report: Benefits and Costs, Preparers' Views. *International Journal of Research in Business Studies and Management*, 6(1), 1-16.
- Insurance Regulatory Authority (2016). *Insurance Industry Report for the Period January – March 2016*. Retrieved from <http://www.ira.go.ke>
- Insurance Regulatory Authority (2017). *Insurance Industry Annual Report for the Year Ended 31st December, 2017*. Retrieved from <https://www.ira.go.ke>
- Insurance Regulatory Authority (2018). *Insurance Industry Annual Report 2018*. Retrieved from <https://www.ira.go.ke/>
- Jensen, M.C. & Meckling, W.H. (1976). The Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(1), 305–360.

- Kabiru, J. & Mwangangi, G. (2012). *Financial Reporting and Disclosure by Insurance Companies: Review of contemporary Practices*. Nairobi: Policy Research and development.
- Kanakriyah, R. (2016). Voluntary Disclosure and Its Effect on the Quality of Accounting Information According to Users' Perspective in Jordan. *American Journal of Business, Economics and Management*, 4, 134-146.
- Kanwa, M., Khanam, F., Nasreen, S., & Hameed, S. (2013). Impact of corporate social responsibility on the firm's financial performance. *IOSR Journal of Business and Management*, 14(5), 67-74.
- Kendi, L. (2016). Relationship between Voluntary Disclosures and Financial Performance of Companies Listed At the Nairobi Securities Exchange. *Asia-Pacific Journal of Business Administration*, 10(1), 79-99.
- Kihamba, R. I. (2017). The Relationship Between Environmental Accounting and Reporting Practices and Profitability of Manufacturing Firms Listed on the Nairobi Securities Exchange. *Journal of Financial Reporting and Accounting*, 12(2), 135-160.
- Kothari, C. R. (2012). *Research methodology: Methods and techniques*. New Delhi: New Age International (P) Limited Publishers.
- Lakshmi, N.T. (2015). Forensic Accounting and Fraud Examination. *International Journal of scientific research and management*, 3(1), 1956-1966.
- Lana, Y. Wang L. & Zhang.X. (2013). Determinants and features of voluntary disclosure in the Chinese stock market. *China Journal of Accounting Research*, 6(4), 265-285.

- Laura, B., Giunta, F. & Dainelli, F. (2010). Signaling Theory and Voluntary Disclosure to the Financial Market - Evidence from the Profitability Indicators Published in the Annual Report. *SSRN Electronic Journal*, 10, 21-39.
- Lawala, O. D., Agbib, E. S., & Mustaphac, L. O. (2018). Effect of Ownership Structure on Financial Performance of Listed Insurance Firms in Nigeria. *Journal of Accounting, Finance and Auditing Studies* 4(3), 123-148.
- Li, H., & Qi, A. (2018). Impact of corporate governance on voluntary disclosure in Chinese listed companies. *Corporate Ownership & Control*, 5(2-3), 360-366.
- Mahboub, R. M. (2019). The determinants of forward-looking information disclosure in annual reports of Lebanese commercial banks. *Academy of Accounting and Financial Studies Journal*, 23(4), 1-18.
- Manokaran, K. R., Ramakrishnan, S., Hishan, S. S., & Soehod, K. (2018). The impact of corporate social responsibility on financial performance: Evidence from Insurance firms. *Journal of Management Science Letters*, 8(9), 913-932.
- Marime, N. J. (2017). Relationship between voluntary disclosure and value of listed insurance companies in Kenya. *Journal of Intellectual Capital*, 20(1), 100-124.
- Maroofi, F. A., Ardalan, G., & Tabarzadi, J. (2017). The effect of sales strategies in the financial performance of insurance companies. *International Journal of Asian Social Science*, 7(2), 150-160.
- Maury, M. D., McCarthy, I. N. & Shoaf, V. (2007). AIG: Accounting and Ethical Lapses. *Research in Ethical Issues in Organizations*, 7, 39-53.

- Mirad, A. A. & Bicer, A. A. (2020). The Impact of Firm Characteristics on the Level of Voluntary Disclosure: Evidence from Listed Banks in Borsa Istanbul, Turkey. *International Journal of Finance & Banking Studies*, 9(3), 2147-4486.
- Mohammed, A. M. (2018). The Impact of Ownership Structure on Firm Performance: Evidence from Jordan. *Academy of Accounting and Financial Studies Journal*, 22(5), 128-136.
- Mugo, N. W. (2014). The Effect of Voluntary Disclosure on the Financial Performance of Commercial Banks in Kenya. *African Journal of Built Environment Research*, 1(1), 49-58.
- Mumo, D. (2017). Factors Affecting Non-Financial Performance of Insurance Companies in Kenya: A Case of Aar Insurance Company in Nairobi. *Studies in Managerial and Financial Accounting*, 34, 147-174.
- Musyoka, M. N. (2017). Effect of voluntary disclosure on financial performance of firms listed at Nairobi securities exchange. *Managerial and Financial Accounting*, 34, 147-174.
- Mutiva, J. M., Ahmed, A. H., & Ndirangu, J. W. M. (2015). The Relationship between Voluntary Disclosure and Financial Performance of Companies Quoted At the Nairobi Securities Exchange. *International Journal of Managerial Studies and Research*, 3(6), 171-195.
- Mwangi, C. M. (2013). An Investigation into Factors That Determine Financial Performance of Insurance Companies in Kenya. *Journal of Financial Reporting and Accounting*, 18(3), 459-482.
- Ngatia, S. W. (2014). The effect of corporate social responsibility on financial performance of insurance companies in Kenya. *Journal of Finance and Accounting*, 3(2), 56-75.

- Nurudeen, S. O., Ahnda, I. M. & Shalli, A.M. (2018) Effect of Corporate Characteristics on Voluntary Disclosure of Listed Financial Service Firms in Nigeria. *Journal of Corporate Governance* 3(2), 29-41.
- Nyahas, S., Ntayi, J., Kamukama, N. & Munene, J. (2018). Stakeholders influence on voluntary disclosure practices by listed companies in Nigeria: An investigation of managers' perception. *International Journal of Law and Management*, 60, 10-31.
- Odaloo, S. K., Njuguna, A., & Achoki, G. (2016). Relating sales growth and financial performance in agricultural firms listed in the Nairobi securities exchange in Kenya. *International Journal of Economics, Commerce and Management, United Kingdom*, 4(7), 443-454.
- Othiambo, A. O. (2015). The effect of social and environmental accounting and reporting on the financial performance of companies listed on the Nairobi securities exchange. *Journal of Financial Reporting and Accounting*, 18(3), 459-482.
- Robert, K. M., Lyria, R., & Mbogo, J. (2016). Influence of corporate social responsibility on financial performance of industries listed at Nairobi securities exchange, Kenya. *International Journal of Advanced Multidisciplinary Research*, 3(10), 82-108.
- Russell, R.B. (2013). *Social research method: qualitative and quantitative approaches*. Los Angeles: SAGE Publications.
- Sahu, P.K. (2013). *Research Methodology: A Guide for Researchers in Agricultural Science, Social Science and other Related Fields*. New Delhi: Tata McGraw Hill

- Singpurwalla, D. (2013). *A handbook of Statistics: An Overview of Statistics*. New York: Free Press.
- Waithira, M. A. (2015). The relationship between corporate social responsibility practices and the financial performance of insurance companies in Kenya. *EuroMed Journal of Business*, *11*(2), 272-303.
- Wakhungu, C. E. (2011). Impact of Sales Forecasting Practices on Dividends of Large Manufacturing Companies in Kenya. *Journal of Financial Reporting and Accounting*, *18*(2), 301-324.
- Wambugu, M.W. & Essajee, A. (2016). The Effect of Voluntary Financial Disclosures on the Stock Returns of Firms Quoted On the Nairobi Securities Exchange. *International Journal of Finance and Accounting*, *1*(1) 45-60.
- Wanjau, B. M. (2019). Influence of corporate disclosures on financial performance of companies listed in securities exchanges in east Africa. *Asian Journal of Accounting Research*, *6*(2), 228-245.
- Wasara, T. M., & Ganda, F. (2019). The Relationship between Corporate Sustainability Disclosure and Firm Financial Performance in Johannesburg Stock Exchange (JSE) Listed Mining Companies. *Sustainability*, *11*, 44-96.
- Waweru, F. W. (2018). Voluntary accounting disclosures and market performance of non-financial firms listed in Nairobi securities exchange, Kenya. *European Journal of Business and Management*, *4*(8), 32-45.

- Waweru, F. W., Memba, F. S., & Njeru, A. (2016). Relationship Between forward-looking information disclosure and Financial Performance of Non-Financial Firms Listed in Nairobi Securities Exchange, Kenya. *International Journal of Academic Research in Business and Social Sciences*, 6(11), 654-669.
- Wliskoła, E., & Strojek-Filus, M. (2019). Forward-Looking Information Disclosure as a Risk Factor in Accounting—the Case of Poland. *Multiple Perspectives in Risk and Risk Management*, 32, 125-141.
- Zhafarina, D. (2017). The influence of Forward-Looking Disclosure Evidence on financial performance of Companies listed in Indonesia. *Procedia-Social and Behavioral Sciences*, 164, 62–67.
- Ziad, A. A., Ibraheem, N. M. & Hasan, T. M. (2018). The Impact of Voluntary Accounting Disclosure in the Financial Reports to Rationalize the Investors Decisions in Industrial Companies Listed in the Amman Stock Exchange. *International Journal of Economics and Financial Issues*, 8(3), 191-196.

APPENDICES

Appendix I: Voluntary Disclosure Index

Financial Information

1. Historical summary of financial data for the last 6 years or over
2. Review of current financial results and discussion of major factors underlying performance
3. Statement concerning wealth created e.g. value added statement
4. Supplementary inflation adjusted financial statement
5. Return on assets
6. Return on shareholders' funds
7. Liquidity ratios
8. Bank loans and mortgages

Forward-looking information

1. Factors that may affect future performance
2. Likely effect of business strategy on future performance
3. New product/service development
4. Planned capital expenditure
5. Planned research and development expenditure
6. Planned advertising and publicity expenditure
7. Earnings per share forecast
8. Sales revenue forecast
9. Profit forecast

Environmental Accounting

- 1 Existence of Environment Policy
- 2 Management Concern for Environment
- 3 Environment Management System
- 4 Environmental Compliance
- 5 Environmental Cost Identification and Recording
- 6 Waste management- recycling, reduction and reuse.

- 7 Environmental budget/ spending and activities
- 8 Environmental impact assessment and risk management
- 9 Presence of an environmental audit program
- 10 Environmental research and development
- 11 Innovation and ways to reduce environmental degradation
- 12 Energy policy
- 13 Carbon emission reports

Corporate Governance Reporting Index

1. Company market to book ratio at end of financial year
2. No of outstanding shares at end of financial year
3. Closing price of stock at end of financial year
4. Net sales as per Income Statement at end of financial year
5. Net profit as per Income Statement at end of financial year
6. Total debt (short and long term) as per Balance Sheet at end of financial year
7. Total equity as per Balance Sheet at end of financial year
8. Total no. of Board members at end of financial year
9. No. of independent directors at end of financial year
10. No. of non-executive directors at end of financial year

Source: Kendi (2016); Kihamba (2017)

Appendix II: Data Collection Checklist

Company	Year	ROE	Financial Information Disclosure Index	Forward Looking Information Index	Environmental Accounting Index	Corporate Governance Reporting Index

Appendix III: List of Insurance Companies

1. AAR Insurance Kenya
2. African Merchant Assurance
3. AIG Insurance Company
4. Allianz Insurance Company
5. APA Insurance Company
6. Britam General Insurance
7. CIC General Insurance Company
8. Corporate Insurance Company
9. Directline Assurance Company
10. Fidelity Shield Insurance
11. First Assurance Company
12. GA Insurance Company
13. Geminia Insurance Company
14. Heritage Insurance Company
15. ICEA Lion General Insurance
16. Intra-Africa Assurance
17. Invesco Assurance Company
18. Jubilee General Insurance
19. Jubilee Health Insurance
20. Kenindia Assurance Company
21. Kenya Orient Insurance
22. Madison General Insurance Company
23. Mayfair Insurance Company
24. Metropolitan Cannon General
25. MUA Insurance Company
26. Occidental Insurance Company
27. Pacis Insurance Company
28. Pioneer General Insurance Company
29. Resolution Insurance Company
30. Saham Insurance Company
31. Sanlam Insurane Company
32. Takaful Insurance Of Africa
33. Tausi Assurance Company
34. The Kenyan Alliance Insurance
35. The Monarch Insurance
36. Trident Insurance Company
37. UAP Insurance Company
38. Xplico Insurance Company
39. Continental Reinsurance

40. East African Reinsurance
41. Ghana Reinsurance Company
42. Kenya Reinsurance Corporation
43. Waica Reinsurance Kenya Limited