

**EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON THE
PERFORMANCE OF INSURANCE COMPANIES IN KENYA**

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**A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT FOR
THE AWARD OF MASTERS OF BUSINESS ADMINISTRATION DEGREE
(CORPORATE GOVERNANCE OPTION) IN THE SCHOOL OF BUSINESS AT KCA
UNIVERSITY.**

DECLARATION

I declare that this research dissertation is my original work and has not been presented for a degree in any other university.

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This research dissertation has been submitted for examination with my approval as a university supervisor.

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DEDICATION

I dedicate this research dissertation to my family for their support and prayers during this process and will remain forever grateful.

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I wish to express my sincere appreciation to my family for their encouragement while pursuing this course. Special thanks go to my lecturers for their affectedful ideas which are so applicable not just in the study but also in my present work life as well.

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ABBREVIATIONS & ACRONYMS

IRA	Insurance Regulatory Authority
Kenya Re	Kenya Reinsurance Corporation
U.K	United Kingdom
OECD	Organization of Economic and Development
UNDP	United Nations Development Programme
SPSS	Statistical Package for Social Science
USA	United States of America

OPERATIONAL DEFINITION OF TERMS

Accountability	Is as a social relationship in which an actor feels an obligation to explain and to justify his conduct. It's also about being willing to hold yourself to a standard that improves the performance of your organization and also having a willingness to be held accountable by others (Romzek & Dubnick 2012).
Corporate Governance	Is a set of interlocking rules by which corporations, shareholders and management govern their behavior (Jenifer, 2011).
Board's release of responsibility	Is the management body in a firm responsible for suggesting and implementing major policies, a responsibility that may lead to agency problems between the management and shareholders (Bonn, 2014).
Equitable shareholder treatment	Is a mechanism which requires that shareholders within any series of class carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase (Bohrer, 2017).
Transparency	Is letting the truth be available for others transparency includes actions or motions and therefore puts new responsibility on the company. It not only requires letting the truth available to every stakeholder (Smith, 2014).
Performance	Refers to the degree of accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (Richard <i>et al.</i> (2016).

ABSTRACT

Corporate governance encompasses how authority, accountability, stewardship, leadership, direction and control are exercised in corporations in the quest of achieving its corporate objectives. The specific objective of the study was to determine the effect of equitable shareholder treatment, transparency, accountability and board's release of responsibility on the financial performance of Kenyan insurance companies. This study used a descriptive research design which entails survey and fact finding inquiry. It has considerable ability to generate answers to questions like what, who, where and how. The study focused on the top level governance, middle level governance and the lower level governance of Kenyan insurance companies. The research used survey census. The study collected both primary and secondary data for the purpose of analyzing the relationship between corporate governance practices and the financial performance of Kenyan insurance companies. Data collected was analyzed using both quantitative and qualitative methods with the help of (SPSS) version 21 and excel spreadsheets. The regression findings found that equitable shareholder treatment, transparency, accountability and board's release of responsibility were statistically significant on financial performance of Kenyan insurance companies. The overall multiple linear regression models was tested using ANOVA and the resulting F-stat indicated that the model was significant at 95% significance level. The study drew conclusion that equitable shareholder treatment had an affected on the financial performance of Kenyan insurance companies. Since according to the findings rights of minority shareholders is well articulated in governance policies; that the company procedures for re-election and appointment of the board are clear formal and transparent. On the effect of transparency and the financial performance of Kenyan insurance companies the study recommends that in order to achieve transparency, Kenyan insurance companies should safeguard accurate accounting methods, policy and practice, make full and prompt disclosure of company information and make disclosure of conflict of interests of the directors or controlling shareholders. A key element of 'good' governance is transparency, which incorporates a system of checks and balances among the board of directors, management, auditors and other stakeholders.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The research looks into how corporate governance policies affect the performance financially among insurance companies in Kenya. The insurance industry makes a major contribution to the GDP and is the backbone of any country's risk management system since it protects financial security, supports in the financial intermediation chain, and offers an orderly framework for long-term finance for infrastructural projects in Kenya (Augustine & Nwanneka, 2011).

Corporate governance practices are a set of rules that control how the Board of Directors operates. These are the CCG's best-behavior guidelines. The organization's long-term viability is ensured by these practices. Through accountability, transparency, and responsibility, Wangombe (2018) defined leadership attributes that are critical in leading a business to prosperity while working for the benefit of the company. This manifests itself in the manner in which the Board of Directors is constituted, the structure of the company, corporate compliance and success, organizational values, balance of power, and the review of the Boards' productivity (Bain & Band, 2016).

The environment of uncertainty and suspicion around Governance Practices is crucial in allowing the optimal mobilization of an organization's resources in order to maximize performance. Large company failures and major fraudulent incidents involving so-called "big shots" have enhanced directors' accountability. Stakeholders and the general public alike desire greater openness in the way firms are run. The owners and other stakeholders entrust the organization's resources to the Board of Directors. To be held more liable, this demands more rational techniques of doing so (Bain & Band, 2016).

Corporate governance is one of the functional areas of management, yet it is crucial to any company's success. Ineffective governance processes, combined with the volatility of the business climate, have repeatedly caused organizations to have substantial concerns (Lakew & Rao, 2018). Poor corporate governance practices, according to Kwame (2017), are the leading reason of insurance firm collapse. Regardless matter how big or small the firm is, if management practices are inadequate, profit margins and, as a result, the entire corporate organization will struggle (Hayes, 2016).

Insurance firms are in the business of accepting risks, thus they develop policies that are tailored to specific hazards, and they frequently insure exotic risks. An insurance provider will confront a wide range of risks in carrying out its crucial function. The risks are typically interconnected and, if not adequately managed, could threaten the institution's capacity to achieve profitability. As a result, getting assurance for every insurable risk is being replaced by comprehensive corporate governance techniques (Arif & Showket, 2016).

The structures and processes in place at the top of institutions for decision-making, responsibility, control, and attitudes are referred to as corporate governance practices (Akinpelu, 2012). A corporate governance practice is a notion that encompasses plans for business management and control. It is a method for leading and governing a company. In basic terms, corporate governance procedures refer to the mechanisms that corporations utilize to be focused, regulated, and held accountable. The exercise of authority, ownership, management, administration, guidance, and supervision in organizations is referred to as corporate governance. It defines the relationship between entrepreneurs, staff, lenders, existing suppliers, as well as subcontractors who supply resources to the firm and contribute to its success (Foo & Zain, 2016).

1.1.1 Corporate governance practices

In any given company, corporate governance principles promote organizational performance in a variety of ways. Sound management, equal treatment of shareholders, responsibility and openness in a management team, and organizational success are all enhanced by corporate governance standards (Ping, 2017). Corruption and fraud are reduced when there is accountability and transparency in the organization's operations, which has a negative affected on the organization's performance. High-quality services, prudent capital management, a strong organizational brand, public trust, and fair labor practices are all linked to good corporate governance standards. According to Nulawadin (2018), corporate governance standards result in better efficiency, a reduction in the occurrences of related party transactions, which are often suboptimal, and the standardization of operations, all of which lead to increased productivity.

Corporate governance practices are made up of internal ownership and external regulatory measures that provide as a roadmap for effective corporate nursing, coordinating, and controlling

(Okiroet al., 2015). According to Singam, internal mechanisms include ownership structure, board structure, board activity, remuneration, transparency and disclosure, and mergers (2003).

Good corporate governance measures, according to Abor (2017), will create investor trust. This is because effective Corporate Governance standards give investors confidence and goodwill by assuring them that their money will be returned and their investment will be profitable. Great Corporate Governance procedures, according to Okiroet al., (2018), are investor-friendly owing to its high creditworthiness, honesty, and availability of all information.

Cadbury (1992) defined a company was well directed and monitored through Corporate Governance system. It is about the board of directors who are designated by shareholder ought to take the responsibility to lead the company, maximize the shareholder value and also protect the interest of stakeholder. In short, directing means to guide the company to achieve the goals successfully with making the decision wisely while monitoring means to monitor the management of company with providing framework of control mechanisms for getting the best result and performance.

Another definition of Corporate Governance was defined as the relative power of managers, shareholders, owners have practiced in several methods globally. This means that the way of firms is monitored, directed, controlled can be affected by different aspects such as laws, policies, rules, regulations and customs. Such Corporate Governance practices are vital to assure the accountability and clarity of disclosure by the firms as well as limit the contention between principal and agent (Okiro et al., 2015).

Corporate Governance consists of internal mechanisms (managerial ownership, foreign ownership, board composition, governmental ownership, state ownership or other institutional ownership) and external mechanism (statutory audit, stock market assessment of corporate performance and market for corporate control) which act as an agenda for effective nursing, directing and controlling of corporate (Okiro et al., 2015). There are few Corporate Governance mechanisms which has proposed by the Malaysian governance reform agenda and required to apply in the Malaysian corporate sectors. Singam (2003) pointed out the mechanism include ownership structure, board structure (CEO duality, independence of board, board size, and

professionalism), board activity (board committee and board meeting), remuneration, transparency and disclosure as well as mergers.

In her study the effects of Corporate Governance practices on the financial performance of insurance companies in Kenya, Kiragu (2013) board size was found to negatively affect the financial performance of insurance companies as the operations of the companies had to be slowed or halted as the staff had to await final decision because board members took a longer period to agree on major decisions. There was a positive relationship between board composition and firm financial performance. However, the most critical aspect of board composition was the experience, skills and expertise of the board members as opposed to whether they were executive or non-executive directors. On CEO duality, the study found that separation of the role of CEO and Chairman positively influenced the financial performance of insurance firms. The study concluded that insurance companies that adopt and implement good corporate governance have higher advantage of increasing their performance

Abor (2017) declared that sound Corporate Governance will build a trust among the investors. This is because a sound of Corporate Governance will generate the confidence as well as goodwill of investors as assuring that their capital will get back and their investment will get an adequate return. Again, Okiro et al., (2015) said that the great Corporate Governance is investors friendly due to their high creditworthiness, transparency as well as disclosures in all information. Agyei & Owusu (2014) identified that better Corporate Governance will alter the strategic decision of a company include cost of financing, valuation, expansion of business as well as management system. If a company with a poor Corporate Governance will cause the lender refuse to lend due to the safety of loan and high possibility to default and hence affecting the capital structure. Since the external financing is in trouble, the firm will entirely rely on the internal financing to sustain the ongoing operations and investment plans. As a result, the possibilities of financial distress are more likely to occur at individual firm due to the unbalance of financing problem as well as spread to other corporates, consumer and employees.

1.1.2 Financial Performance of Insurance Companies

Performance refers to an organization's, an individual's, or a team's level of achievement (Mathur, 2018). Organizational performance, according to Richard and Stevenson (2019), involves three major aspects of organizational outcome. Capital sufficiency, product market performance, and share growth are the three factors. Non - financial performance measures such as sales volume, response time, and product quality, according to Kaplan and Norton (2016), must be maintained while also paying attention to externally focused measures like customer satisfaction and brand preference, as well as projecting measures like employee satisfaction, retention, and succession plans.

The conduct and manner in which financial activity is carried out is characterized as financial performance. It can also refer to the degree to which financial objectives are being accomplished or have been met. It can also refer to the method for calculating the financial value of a company's policies and operations (Mak and Kusnadi, 2017). The firm's overall capital structure is tracked over time, and the results are used to compare enterprises in the same industry or across industries or sectors (Kwaning & Mahama, 2015).

According to Burca and Batrinca (2016), actuaries use financial data analyzed by a company as an important tool during the insurance company's decision making on underwriting and investment. The financial performance of insurance companies is critical for an economy because the industry is one of the components of the financial system that promotes growth and stability; Internal and external factors, on the other hand, have an affected on insurance company performance (Wanyama and Olweny, 2013). Outside variables include those that affect associated institutions as well as the overall macroeconomic environment, whilst core concepts can be represented by specific features that are largely characteristic to a given organization (Rouf, 2011).

According to Foladi (2012) empirical researches on corporate governance use either market-based measures or accounting-based measures to assess firm performance. We can measure the operating performance of a firm through the return on assets (ROA) ratio which shows the amount of earnings have generated from an invested capital assets. Managers are directly responsible for the operations of the business and therefore the utilization of the firms' assets. , ROA allows users to assess how well a firms' corporate governance mechanism is in securing and

motivating efficient management of the firm. In the present study, ROA is defined as net income before interest expense for the fiscal period divided by total assets for that same period (Foladi, 2012). Return on equity (ROE) is a measure that shows an investor how much profit a company generates from the money invested from its shareholders.

Benchmarking is the basis for setting up strategy and achieving future goals because it categorically communicates a company's strategic vision and objectives to all members of the organization and serves as a feature that facilitates efficient internal operations (Chang & Chuang, 2019). As a result, the claim is that organizational performance is a concept involving many components such as finances, operations, and customer-related domains (Karanja et al., 2018). In reality, organizational performance is defined as the difference between the value created by a firm, as measured by the efficacy, effectiveness, and significance of the performance of the firm, and the value expected by the stockholder (Fahey & King, 2016). Product sustainability, efficiency, dependability, productivity, profitability, cost management, and sales volume, among other metrics, can thus reflect a performance of the company (Mathur, 2018). Performance evaluation is essentially situational because each organization has its own set of circumstances. The success or market position of a company defines performance outcomes (Constable & McCormick, 2019). Market share, profitability, and customer satisfaction are the critical parameters for this research.

1.1.2 Insurance Companies in Kenya

The Kenyan insurance industry is governed by the Insurance Act (CAP. 487), which is regulated by the Insurance Regulatory Authority. Under the Insurance Act (Amendment) 2015, (CAP. 487) of the Laws of Kenya, the Insurance Regulatory Authority is a statutory government agency charged with regulating, supervising, and developing the insurance industry. The Association of Kenya Insurers regulates insurance companies in Kenya (AKI, 2016). According to the Insurance Regulatory Authority, there are 49 insurance companies registered in Kenya. According to IRA (2018) there are 37 general insurance companies, 23 life insurance companies, 26 non-life insurance companies, and 23 life insurance companies. There are 16 companies that specialize in general insurance and 7 that specialize in life insurance.

The company has undergone numerous challenges, including systemic flaws, client and fraudulent activities, high claims, claim settlement latency, premium collection slowdowns, the collapse of some firms due to inadequate liquidity, slower growth, mismanagement, and industry saturation. The insurance industry is currently competitive, with 49 insurers competing for business that represented only 2.93 % at the end of 2014. Kenya's insurance sector had been operating in a relatively stable environment until recently. The products on offer were normalized, and the level of competition was negligible (Gitau, 2017). Regrettably, as the percentage of players in the industry has risen from 15 in 1978 to 39 in 2001 to 49 as of the end of 2018, urgency has been placed on insurance companies to convey affected corporate governance practices that enable viable strategy to these changes in the competitive business environment, particularly the aversion of strategic drift (Kiragu, 2016).

1.2 Statement of the Problem

Despite the enactment of corporate governance practices, the performance of Kenyan insurance companies has been declining. According to the annual report by IRA (2016), some long-term insurance players have been losing money over time, resulting in negative growth for the industry. Growth has slowed since 2015, when it peaked at 3.44 %, falling to 2.93 % in 2014 and finally 2.79 % in 2015. the year 2016 (AKI). Kenya is underinsured, with a penetration rate of 3% for a population of 40 million people. This compares poorly to India, which has a penetration rate of 4% for a population of over a billion people, and contrasts with South Africa, which has a penetration rate of 16 percent for a population of 50 million people (Mwangi, 2016). Kenyan insurance companies' corporate governance practices are deteriorating despite strict regulatory frameworks (Mang'unyi, 2014). Many insurance companies, according to Muriithi, have been tainted by scandals (2015). Directors failed to act professionally in their dealings with their shareholders, frequently engaging in fraudulent activities during their representation. In fact, Kenya's Insurance Regulatory Authority has identified insurance companies' poor corporate governance practices as a roadblock to the country's strategic goals. Corruption cases in Kenya have sparked heated debates in many legal and business sectors, causing both domestic and foreign investors to lose faith in the country (Manyuru, 2015). Incompetence, embezzlement, and abuse of office, according to Ogoye (2012), are the triggers of skyrocketing corporate failures and financial fraud.

Locally, Andelic (2010) reported a positive link between governance and changes in the insurance and reinsurance markets in his research. The difficulties associated with corporate governance practices in the reinsurance industry were investigated by Awino (2013). Despite growing public awareness of corporate governance issues, few studies have been conducted to examine the relationship between corporate governance practices and performance, particularly in state corporations.

Miring'u discovered that board size, board and CEO duality, and all state corporations are all positively related to return on equity (2016). In a study similar to this one, Miringa (2015) found that one important factor for insurance company boards of directors to promote good corporate governance practices is to ensure control over senior management by allocating adequate resources and time, as well as to create an appropriate legal, economic, and institutional environment. Wanyama and Olweny (2013) investigated the effects of board size, board composition, CEO duality, and leverage on the performance of publicly listed insurance companies in Kenya. Their findings revealed a strong link between the investigated corporate governance practices and insurance company financial performance.

1.3 Objectives of the Study

1.3.1 General Objective

The goal of the study sought to find out how corporate governance practices affect the financial performance of Kenyan Insurance Companies.

1.3.2 Specific Objectives

- i. To ascertain the effect of equitable shareholder treatment on the financial performance of Kenyan insurance companies.
- ii. To investigate the effect of transparency on the financial performance of Kenyan insurance companies.
- iii. To determine the effect on accountability and financial performance of Kenyan insurance companies.
- iv. To investigate the effect of the board's release of responsibility on the financial performance of Kenyan insurance companies.

1.4 Research Hypothesis

H₁: There is no relationship between equitable shareholder treatment and financial performance of Kenyan insurance companies

H₂ Transparency has no effect on financial performance of Kenyan insurance companies

H₃: Accountability has no effect on financial performance of Kenyan insurance companies

H₄: Board's discharge of responsibility has no effect on financial performance of Kenyan insurance companies

1.5 Justification of the Study

The research will be of value to both scholars and professionals by providing information on the nature of insurance companies in Kenya, as well as providing additional data for research. These findings will aid lawmakers and regulators in the formulation and/or enhancement of existing reinsurance/insurance policies and relevant regulation.

The research will benefit a variety of stakeholders, including both local and foreign investors who will use the study's findings to evaluate their respective investment strategies, as well as senior management and employees of Kenyan insurance companies who will have a moment of time to understand their organizational operations, management, and future survival. Other interested parties, such as rivals and cedants in the industry, may apply whatever they have learned in tackling the problems.

This study will help Kenyan insurance companies increase their productivity. As a result, by attempting to provide solutions and answers to the research problems identified in previous studies, this will contribute to the strategic vision of corporate governance practices. As a result, the goal of this study is to learn more about the corporate governance functions that influence insurance company performance in Kenya.

1.6 Scope of the Study

The study focused on the 49 insurance companies because they all have their headquarters in Nairobi County. The study used a descriptive survey design to reduce data collection bias. The general managers of insurance companies were the focus of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The research on the effects of corporate governance practices is examined in this chapter. The findings of other researchers working in the same field of study are also summarized in this chapter. The theoretical review, conceptual framework, empirical review literature, and research gaps are all covered in this section. The research employed Agency theory, Stewardship theory, Signaling theory, and Resource Dependence theory. In addition, the chapter includes a review of the existing literature as well as a list of research gaps.

2.2 Theoretical Review

A theoretical review is a collection of literature-based theories and models that support the conceptual framework and, as a result, inform the problem statement (Mugenda & Mugenda, 2013). Theories are analytical tools for grasping, explaining, and predicting a topic. The theoretical framework that underpins the research is described in this section. A theory is a set of statements or principles developed to explain a set of facts or phenomena, especially one that has been evaluated continually or is largely acknowledged and can be used to predict natural occurrences. The research was guided by the theories listed below.

2.2.1 Stewardship Theory

Stewardship theory rejects the assumptions of agency theory (Davis et al, 2016). The basic idea of stewardship theory is that manager behavior is pro-organizational and capitalistic, with executives achieving greater utility by serving an organization rather than working to satisfy individual objectives. Furthermore, according to Gay, stewardship theory is derived from an economic model of human behavior known as Theory Y, which claims that humans are inherently compelled to achieve and do a good job (2012). According to this theory, managers are good stewards who will act in the best interests of the owners (Donaldson & Davis 2011). Smallman (2014) claims that when the shareholders' wealth is fully utilized, the affected of

Stewards are enhanced as well, because successful leadership will meet most ambitions and the stewards will have a common goal.

Stewardship theory sees a strong relationship between managers and the success of the firm, and therefore the stewards protect and maximize shareholder wealth through firm performance. A steward who improves performance successfully, satisfies most stakeholder groups in an organization, when these groups have interests that are well served by increasing organizational wealth (Davis, et al, 1997). Moreover, stewardship theory suggests unifying the role of the Chief Executive Officer and the chairman, so as to reduce agency costs and to have greater role as stewards in the organization. Thus, the focus of stewardship theory is on structures that facilitate and empower rather than monitor and control (Alhaji & Yusof, 2012).

According to the theory, managers and the company's success are inextricably linked, so trustees protect and maximize shareholder value through firm performance. When the majority of stakeholder groups in an organization have interests that are well served by increasing organizational wealth, a leader who successfully boosts productivity fulfills them (Davis, Schoorman & Donaldson, 2013). When the CEO also serves as chairman, the fate of the company and its ability to devise a business model are in the hands of a single person (Kumudini, 2011). As a result, the theory's focus shifts from surveillance to the structures that enable and encourage it (Davis, 2016). Consequently, the theory advocates for the appointment of a single person as chairman and CEO, as well as a large proportion of professional executive directors rather than non-executive directors (Clarke, 2014).

This theory contributes to the first study goal, which is to determine the affected of equitable shareholder treatment on Kenyan insurance companies' financial performance.

2.2.2 Signalling Theory

Signaling theory, also referred to as managerial signaling theory, is a branch of agency theory (Jensen & Meckling, 1976). The theory began as an attempt to explain why managements have asymmetric information (Morris, 1987). Corporate insiders, according to the theory, know more about the company than others (Bebchuk and Weisbach, 2010). As a result, the agents may be able to use this information to further their own selfish goals of maximizing private interest (Jensen and Meckling, 2010). As a result, the theory underpins good corporate governance

practices such as disclosure and transparency. Company managers and investors have clear and distinct responsibilities to discharge and goals to pursue in the face of conflicting goals in a firm. If there is an asymmetric information between a company's managers and its investors, according to Spence (2011), the firm should make an effort to provide details to the investor to eliminate the discrepancy. Investors may be unable to understand the company's expected system condition if the gap in knowledge is not closed. Investors with no other communication channels rely on leadership knowledge to help them make strategic decisions (Ravid and Saring, 2011).

Companies with a high level of transparency and accountability perform better and have a better public image as a result. The investigation, which is the second study goal, is aided by this theory.

2.2.3 Agency Theory

Agency Theory was founded by Jensen & Meckling in year 1976 and noted that this theory can be defined as the interaction between principals and agents in a common business. This relationship occurs when the owners of the firm are not the one to manage or direct their firms personally. The managers (agents) which act on the behalf of shareholders, owners (principals) have been delegated with some authorities to manage and make decisions for the firm. However, such decisions can be made depend on the interest of shareholders or contrary to benefit of shareholders. When the decision of manager is not aligned with the interest of shareholders, this will result agency problem (Okiro et al., 2015).

Ghazouani (2013) pointed out that agency cost will occurs from the disputes between shareholders and managers due to the manager's interest are not align with the benefits of shareholders, managers tend to pursue the gains of the companies to manage their benefits at the expense of the shareholders. For instances, shareholders tend to focus on investment for increasing their shareholder values while managements more prefer to maximize their personal wealth in expansion of the businesses. Purag et al, (2016) stated that such behaviour of the managers who concentrate on own interests instead of maximizing the interest of shareholders is known as moral hazard.

According to the Agency Theory, Kajanathan (2012) submitted that board independence is positively correlated with a decision on the financial leverage. He demonstrated that supervisory performance of board independence director highly reduces the conflict between shareholders and companies' directors. Therefore, corporates were being controlled effectively will create higher creditworthiness of firm, result more debt can be borrowed. The result is similar with the findings by Abor (2017) as well as Siromi and Chandrapala (2017) which indicated positive linkage between firms' outside directors and capital structure.

Smith (2014) and his discourse on the problem of ownership and control separation can be dated back to the early days of agency theory. He argued that managers of other people's money can't be expected to "watch over it with the same anxious vigilance" as owners, and that "negligence and profusion, therefore, must always prevail" in such a company's affairs (Smith, 2014). According to this theory, some managers may engage in "moral hazards" (such as avoiding duties to spend time with their families or concealing inefficiencies) in order to increase their individual affluent at the expense of their employers.

Macroeconomists use the theory to look into how to inspire and handle mutual trust (Scott, 2012). Their main focus is on situations in which the principal wants a result but needs the help of an agent to carry out the necessary actions. Both members of the party are presumed to be motivated by their interest, which may differ greatly (Scott, 2012).

To eliminate the agency cost, the managerial shareholding should be increase as the interest between shareholders and managers will hence increase and could cause the borrowings of firm's increase (Jensen, 1986). But, this has contrary with trade-off theory. managers will use less debt as the risk of bankruptcy when the managerial ownership is high. Agency Theory is one of the theories gaining solid empirical backing to explain the capital structure decision. Based on the Jensen and Meckling (1976), the correlation between the principals and agents involves delivering of decision making power to the agent which given by the principal. Also, Agyei and Owusu (2014) proposed that Agency Theory is the most important theory for analyzing the relation between Corporate Governance practicesand equitable treatment of shareholders, transparency, accountability, and board discharge of responsibility.

The terminology of the theory is called a situation in which the "principal" wants to achieve a purpose but needs the intervention of the "agent's" to complete a necessary task (Scott, 2012). Organizations are viewed as a web of contracts between self-interested principals and agents, stockholders and directors, according to the theory, and the contract terms that survive are those that best solve the problem of reducing agency costs (Eisenhardt, 2013). This theory contributes to the third objective of this study.

2.2.4 Resource Dependence Theory

According to Canella and Paetzols, resource dependency theory emphasizes the importance of executives in facilitating or ensuring critical resources to an organization via their external connections (2010). The theory justifies a liberated representative voting in order to gain access to services critical to the success of the firm and corporate governance norms. For example, resource dependence perspectives consider how board members can connect the company to significant private and public financing, introduce technological advancements, and provide necessary leadership (Brown, 2013).

Hillman, et al (2016) contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. Organizations require resources and these leads to the development of exchange relationships or network governance between organizations. Further, the uneven distribution of needed resources results in interdependence in organizational relationships.(Alhaji & Yusof, 2012)

According to the resource dependency rule, the directors bring resources such as information, skills, key constituents (suppliers, buyers, public policy decision makers, social groups) and legitimacy that will reduce uncertainty. This theory supports the appointment of directors to multiple boards because of their opportunities to gather information and network in various ways. The implications of this theory are that corporate Boards will reflect the environment of the firm and those corporate directors will be chosen to maximize the provision of important resources to the firm. Each director may bring different linkages and resources to a board. Board composition will thus theorize to reflect a matching of the dependencies facing an organization to the resource acquisition potential of its board members (Hillman, Canella, & Paetzold, 2016)

from the above discussion unlike the agency theory the resource dependency theory ignores the other board activities like strategizing and providing advice.

A board of directors, according to this theory, actively contributes credibility, recommendations, and consultation, as well as affiliations with other organizations (Hillman & Dalziel, 2011). Among the resources, executive capital is critical, as it includes expertise, perspective, and worthiness brought into the organization. The board of trustees is also important in terms of providing relational or human capital, which is a network of ties or affiliations with other businesses (corporations and partnerships) as well as externally related prospects. This theory contributes to the fourth objective of the study.

2.3 Empirical Review

According to a study by Wambua (2011), the size and composition of the board of directors of Saccos had no relevance on the financial productivity of the organization. Mugenyi (2010) looked into the corporate governance practices and strategy of Ugandan Saccos. The purpose of the investigation was to see if the Sacco had a well-defined governance structure and policies. The study was conducted in a qualitative manner. Focus group discussions with Sacco board members were used to gather data on governance and strategy.

Enobakhare (2010) studied the link around institutional ownership and performance of banks, including the effects of external ownership on bank performance and the evaluation of board ownership. There was a significant body of literature on corporate governance norms explaining the performance of Kenyan insurance companies between 2003 and 2008.

2.3.1 Equitable treatment of shareholders and Performance

In order for shareholders to be treated equally under the corporate governance practices mechanism, all shareholders in any set of class should have the identical rights (Santiago-Castro and Brown 2011). Before purchasing any shares, all investors should learn about the rights that come with them. When voting rights are changed, Salvioni and Bosetti (2015) recommend that the classes of shares that are adversely affected give their consent (OECD, 2014). Controlling shareholders must be protected from abusive actions by or involving small shareholders, whether

explicitly or implicitly, and they must have access to beneficial recourse frameworks (Bohrer, 2017).

Custodians or appointees should vote in accordance with the wishes of the beneficial owner (Jensen, 2010). Inter-voting impoundments must be abolished, and procedures for general shareholder meetings should be designed to ensure that all shareholders are held to the same high standards (OECD, 2014). Insider Trading and harassment should be prohibited, and voting should not be made too difficult or expensive by company policies (Bohrer, 2017).

Academics have expressed a wide range of opinions on how shareholders should be treated fairly. The financial performance of a company can be influenced by a variety of factors, including being a partial owner in the first place, according to Bohrer (2017). According to the study, investors took lower equity ownership positions in target companies for a myriad of purposes (Prugsamatz, 2010). One of the reasons, he said, is that a smaller ownership position can be used as a stepping stone to a full acquisition in order to obtain effective methods, markets, and/or projects in exchange for proxy investment control (Bohrer, 2008). According to the Bohrer study, the fundamental governance best practice rights that small shareholders frequently seek include their ability to appoint leaders of their choice to the board of directors, to have significant influence over the outcome of certain corporate actions in the organization, and to have major influence over the end result of certain corporate actions in the organization (Bohrer, 2017).

Akinkoye and Olasanmi (2014) ownership structure that emphasize and value minority owners' contributions are more likely to improve a profitability. The Minority Shareholder Watch Dog Group (MSWG) targeted companies earned considerably higher stock returns compared to non-targeted companies, according to Rahman (2016). The results of various causal inferences tests involving firm metrics revealed that (MSWG) targeted firms witnessed huge rise in earnings compared to non-targeted firms in the subsequent years of MSWG involvement (OECD, 2014). Because market characteristics can aid in the improvement of corporate governance practices, shareholders who do not work to maximize shareholder value can easily engage in misconduct without facing consequences (Bohrer, 2017).

Board independence, according to Guan (2005), is one of the corporate governance practices mechanisms that can be used to prevent the board from exploiting the wealth of smaller shareholders. In a study by Haat et al. (2008) discovered a link between proper planning and rolling out of certain techniques. Minority shareholders effectively protect their rights and against unjust efforts made by majority shareholders who try to sabotage the regulations (Salvioni and Bosetti) (2015).

Equitable treatment of all shareholders is a practice that cannot be derogated from corporate governance. Any company or other organization that purports to have in place corporate governance practices must have this practice in place. Equitable treatment of shareholders” is among six key principles of corporate governance recommended by OECD and is considered to be of utmost importance for the protection of all shareholders. This reinforces the idea that “the watchwords of corporate law include not only wealth maximization, but also fairness”. All shareholders, majority or minority, should receive adequate protection from the law. Minority shareholders are those who not only hold a small number of shares but are also non-controlling parties in an organization. Shareholders' rights and the need for their legal protection result from the separation of ownership from control in the modern corporation (Guan, 2005).

Equitable treatment of shareholders also requires that minority shareholders be protected from abusive practices by or in the interest of controlling shareholders acting either directly or indirectly. It further calls to ensure that in the event of such occurrences, the minority shareholders have effective means of redress Bohrer, (2017). Equitable treatment of shareholders under corporate governance mechanism requires that shareholders within any series of class carry the same rights. All shareholders should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subjected to approval by shareholders of those classes of shares which are affected.

2.3.2 Transparency and Performance

The term "transparency" is often misused to describe a variety of open system features. Gerard and Vermeule (Gerard and Vermeule, 2008). Transparency, according to Besley (2015), is defined as budgeting and reporting rules that make policy-relevant information more accessible

or factual. It is not necessary to believe that openness is always beneficial. Increased observability can be counterproductive in the case of pure moral hazard if it leads to gratification (Canes-Wrone et al 2001).

Transparency can be used in a variety of ways, according to Fernandez-Feijoo, Romero, and Ruiz (2014). It can be used in a tenancy agreement to screen out undesirable tenants, though this could have unintended consequences (Henriques,2013). Increased transparency increases the chances of being subjected to a frustrating type while lowering the balance rents retrieved (Besley& Prat 2005).

According to the OECD Principles (OECD, 2014), the CG framework should ensure that all material information about the corporation, as well as any other reports related to party transactions, and information about the general shareholder meeting or managers, is disclosed in a timely and accurate manner (OECD, 2014b). In addition, information dissemination channels such as a website of the company or Stock Exchange and a company's press release, among others, should allow for equitable, dependable, and good accessibility (Gan, Shek&Mueller, 2015).

Even when citizens protest misconduct, transparency does not always lead to accountability (Allawi, K. M.,2015). Public authorities must be put under pressure to respond, hold those responsible accountable, and possibly sanction them (Dingwerth&Eichinger,2010). Certain transparency mechanisms are expected to change public officials' incentives by increasing the likelihood of exposure and the cost of being found culpable and responsible, especially when accompanied by credible sanctions (Fox, 2013).

2.3.3 Accountability and Performance

Accountability, according to Dubnick and Frederickson (2011), includes following legal requirements, laws, processes, and rules that are consistent with appropriate accounting principles and conventions, as well as the dependability and integrity of financial and other reports, as well as the complete credibility of both revenue and capital spendings. The gathering of vital information used in decision making, as well as the need to streamline operations to be economical, efficient, and effective, are all aspects of managerial accountability (UNDP, 2013).

All those entitled to a role at any point in the growth strategy are answerable and answerable due to the nature of surveillance (UNDP,2013). Furthermore, the extent of taking personal initiative to respond to any eventuality promotes trustworthiness (Rabovsky, 2012). Oral representation and verbal account of actions are the simplest and weakest forms of integrity discharge; however, when an account is identified and backed by supporting evidence of a claim for integrity justifications, it becomes better and more reliable (Hong, 2016).

Timeliness (or report authentication and communication) and process (details of form and content) are procedural influences that improve the form and content of accountability (Brinkerhoff & Wetterberg, 2016). Accountability and transparency are inextricably linked (Aruwa, 2011). Transparency is useless unless it is accompanied by appropriate accountability for discretionary use, and accountability has no meaning unless it is derived from a transparent medium (Aruwa, 2011). Transparency and accountability are thus critical for achieving any development goal and restoring public trust in a company's performance.

The willingness to transparency and accountability in the public sector has serious implications for economic and social development (Amirkhanyan, 2011). The public firm's ability to provide efficient services is also dependent on its honesty, dedication, and integrity (Dubnick & Frederickson, 2011). The main focus of such improvements should be on how strong each element of accountability needs to be in order to provide the necessary and sufficient motivation for extended accountability (Aruwa, 2011).

2.3.4 Discharge of responsibilities by the board and Performance

Management plays a critical role in maintaining effective governing norms, according to a research by Bennedsen et al. (2008). This is especially true for publicly traded companies, which are prone to agency problems due to ownership and control separation (Bhagat, 1999). According to Bonn (2014), management is the body in charge of proposing and implementing major policies, which can lead to conflict among its members.

The CG framework ensures future plans, provides oversight, and holds the board and shareholders accountable (OECD, 2014). They uphold the company's ethics and treat shareholders fairly, as well as making independent decisions on behalf of the company (OECD,

2014b). While monitoring and evaluating the company's governance norms, the CG must obtain the relevant data they require to perform their function and resolve any conflicts that may arise among their members. They can also serve as key executives and oversee their responsibilities (Ehikioya, 2016).

Many academics agree that the board of directors is one of the strategies for resolving agency conflicts within a company in today's business world. Boards of directors are critical to a company's success (Eisenhardt, 2013). Research on the link between board management and firm performance have yielded a number of conclusions (Lefort & Urzua, 2008). The findings that a good management methods approach can help a firm with easier financing, lower cost of capital, improved stakeholder satisfaction, and ultimate better performance are applicable and consistent with the current study (Claassens, Djankov, Fan and Lang 2002).

According to Hossain et al. (2001), industry structure determines firms' strategies, which in turn determines firm performance in terms of innovation, client satisfaction and retention, market share, cost cutting initiatives, and improved productivity (Frick & Bermig, 2016). As a result, a company's performance should be tied to the state of its industry. Although the focus of this literature has been on firm profitability, it is straightforward to extend to other measures of firm performance (Claassens, Djankov, Fan and Lang, 2002).

The realisation that automotive companies are affected by and respond to different industry characteristics than airline companies should explain differences in customer satisfaction scores between business organizations, such as the automotive and airline industries (Frick & Bermig, 2016). As a result, the profiles and performance of competing automotive companies should converge, whereas the profiles and performance of competing airline companies should diverge (McNulty, & Stiles, 2005).

The industry school accepts intra-industry performance differences when firms pursue various strategies ranging from low cost to high quality, but believes that market structure shapes those approaches (Ponnu, 2008). As a result, customer satisfaction should be determined more by industry or market structure than by individual corporations' initiatives (McNulty, & Stiles, 2005).

2.4 Critique of Existing Literature and Research Gap

According to Ngugi (2013), the company directors are more familiar with the firm's activities or operations and can easily assume the responsibilities of top senior leadership monitors, particularly if there is a chance to advance into positions held by incompetent management executives. The study also discovered that the right mix of internal and external directors determines a management's performance, concluding that a good management composition leads to higher company productivity.

The study focused on the relationship between corporate governance practices and the performance of privately run insurance companies in Kenya, whereas the current study focuses on the affected of corporate governance practices on the performance of Kenyan insurance companies, which are a quasi-government institution in which the government owns the majority of the shares but has no control over the management.

According to Dozie, corporate governance practices in Nigeria include transparency, accountability, probity, and the protection of management rights (2011). However, the study was conducted in a different economy and did not examine the affected of corporate governance practices on the performance of institutions similar to the ones under consideration, which are Kenyan insurance companies in this case. This could be due in part to the Commonwealth governance structures that both Nigeria and Kenya employ.

Gatauwa (2008) investigated the link between corporate governance practices and stock market liquidity for Nairobi Stock Exchange companies. Greater transparency, according to the study, improves stock market liquidity, which lowers the cost of capital. The study has been criticized for focusing on the relationship between corporate governance practices and stock market liquidity for firms listed on the Nairobi Stock Exchange rather than the affected of corporate governance practices on the performance of quasi-government entities such as insurance companies regulated by the Insurance Regulatory Authority in Kenya (Gatauwa, 2008).

Matengo (2008) also looked into the link between corporate governance practices and the performance of Kenya's banking sector. Good corporate governance practices, according to the study, lead to lower firm risk and, as a result, lower capital costs. Separating ownership and

control, according to the study, optimizes shareholder wealth. However, the study was limited to the banking industry and did not investigate the affected of corporate governance practices on the performance of Kenyan insurance companies.

Various organizations' strategic responses to a changing competitive environment have been investigated. Kasingiu (2010) investigated Kenya Post Office Savings Bank's strategic responses; Mwarania (2011) investigated Kenyan insurance companies' responses when the Kenyan government was the sole shareholder; Komira (2011) investigated Jubilee Insurance Company Ltd's responses; and Awino (2013) investigated Kenyan insurance companies' responses prior to privatization.

Kenya Airways' responses were studied by Gichira (2013), who discovered that strategic partnerships and alliances, improved customer service, and technological adaptation were all important to the company's success. Andelic (2010) investigated the effects of governance strategies on the insurance and reinsurance markets in Eastern Europe, concluding that management and market changes are inextricably linked. Changes in corporate governance practices have been the focus of recent studies on reinsurance firms' responses. Mwarania (2011) looked at how Kenyan reinsurance companies reacted to changes in corporate governance practices, focusing on Kenya-Re, which was the sole shareholder at the time. There was no evidence that a study had been conducted on the affected of corporate governance practices on the performance of Kenyan insurance companies, according to Awino (2013), who investigated the challenges of corporate governance practices in the reinsurance industry.

As a result, the goal of this research is to fill a knowledge gap by assessing the effects of corporate governance practices on the productivity of Kenyan insurance companies organized as a company limited by shares and registered with the Nairobi Securities Exchange. However, certain provisions enshrined in the State Corporation Act (Cap 446), the Insurance Act (Cap 487), and various regulatory bodies and rating agencies such as the internationally renowned AM Best and the African equivalent in the name of Global Credit Rating (GCR) continue to apply.

2.5 Summary

The affected of corporate governance practices on the performance of Kenyan insurance firms is examined in this chapter, which includes both empirical and theoretical research. The literature

discusses various scholars' perspectives on the relationship between equity treatment of shareholders, transparency, accountability, and board discharge of responsibility. These four drivers must be well implemented for Kenyan insurance companies to perform optimally. Lesser shareholders must be protected from heinous acts by or with the involvement of controlling shareholders acting explicitly or implicitly, and formal grievance mechanisms must be in place (Bohrer, 2017).

The level of accountability and transparency in the public sector has far-reaching consequences in terms of both economic and social development. The public sector's high levels of truth and honesty will be crucial in ensuring efficient service delivery. As a result, it is reasonable to state that the central emphasis of such developments should be the level to which each aspect of accountability must be enhanced in order to provide adequate and substantial indemnity for extended accountability (Aruwa, 2011).

A good scorecard allows a company to measure and control its program based on its strategic concepts and priorities. When designing a performance measurement system in today's world, both financial and non-financial criteria that reflect the effects of core objectives that are vital in adding value to any organization must be prioritized and adhered for (Neely, 2015).

2.6 Conceptual Framework

It is a diagram that depicts the interaction of dependent and independent variables. The research examines the relationship between the four variables as well as how corporate governance practices affect the performance of Kenyan insurance firms.

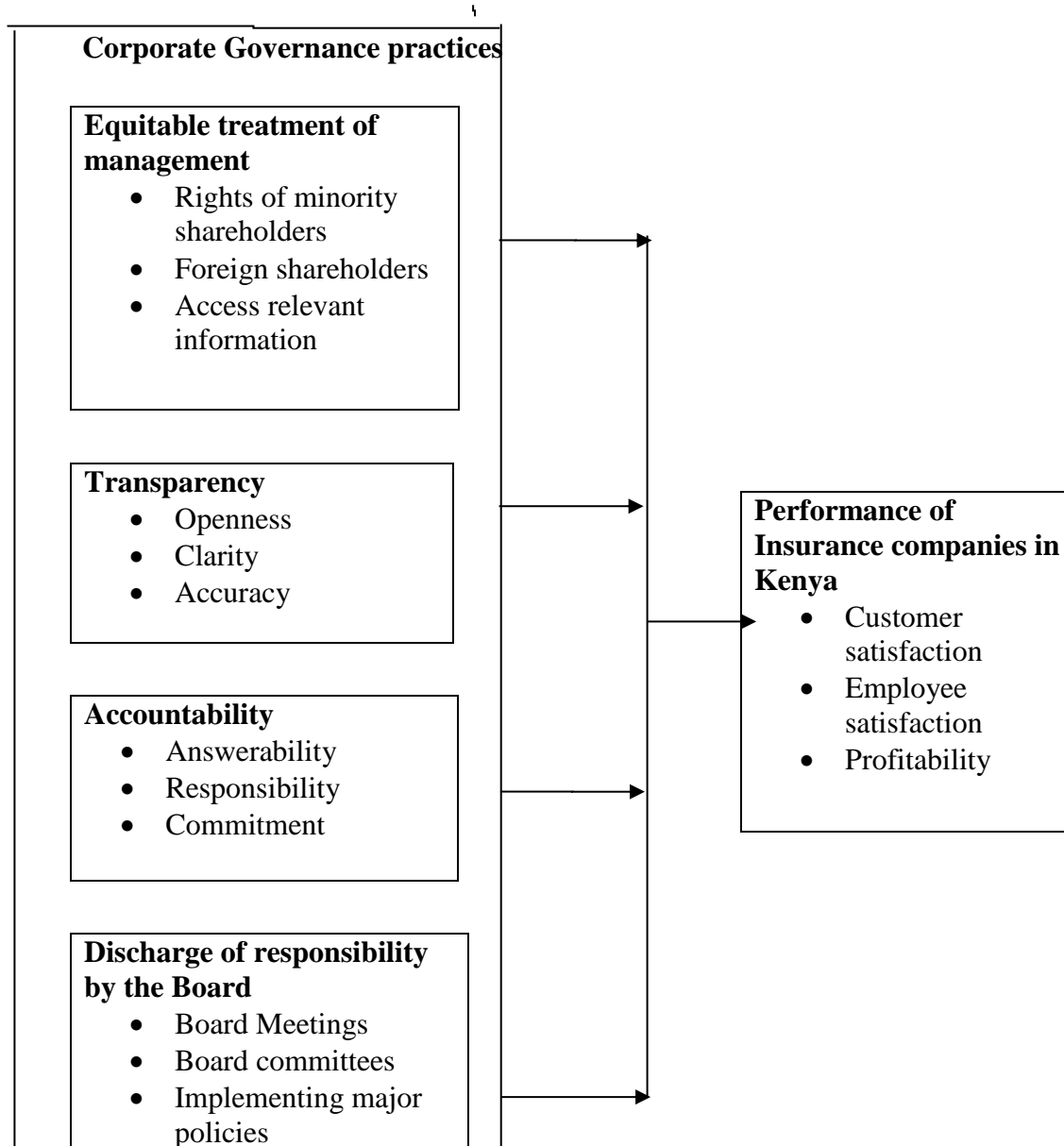


Figure 2. 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research approach that was used to collect data for the study. It entails research design, target population, data collection instruments, data collection procedures, pilot test, data analysis, and presentation of findings.

3.2 Research Design

Research design, according to Cooper and Schindler (2011), is an outline for achieving research objectives and answering questions. This study employed a descriptive research design. Because it includes both a survey and a fact-finding investigation, this design was chosen. When it comes to answering questions like what, who, where, and how, it has a lot of credibility. The current state of affairs at the time in question is depicted in this research design. This design was also important for obtaining detailed and in-depth information as well as a thorough understanding of the research being studied.

The aim of descriptive approach was to figure out the sequence of events that led to the occurrence of phenomena (Kothari, 2008). Descriptive research design is a scientific method for observing and describing a phenomenon without influencing it in any way. The subject was being observed in its natural, unaffected environment. The goal of this study was to collect and analyze both quantitative and qualitative data in order to describe the phenomenon in terms of current trends and events.

3.3 Target Population of the Study

A population is a entire group through which studies are carried out by by scientists with the aim of generating information to the relevant agencies to utilize (Castilo, 2016). A population can also refer to a group of people, events, or items who all have something in common. As a result, it's the sum of everything that satisfies a given criterion (Mugenda & Mugenda, 2003; Hyndman, 2008). It is also referred to as a well-defined group of people or things with similar traits (Sekaran, 2015). Newing (2011) defines a population as the set of sampling units or cases that a

researcher is interested in, whereas Burns and Grove (2003) describe it as all the elements that meet the study results inclusion requirements.

The study results target and accessible population was drawn from 49 analysis units, all of which are licensed Kenyan insurance companies (IRA, 2019). As shown in Appendix IV, the study population, which represents the unit of observation, consisted of 316 senior management employees and 749 middle management employees, totaling 1065 people. Senior management is defined as those managers who are necessary for the proper and coherent working of their department in accordance with upper leadership's basic guidelines and priorities, according to Saleemi (2017), whereas middle management is defined as those managers whose sole objective is to interpret and explain top and senior management's regulations. Kenyan insurance chronological management offered statistics on the influence of corporate management methods on the performance of organization.

3.4 Sampling Frame, Sampling Design and Sample Size

3.4.1 Sampling Frame

A list of people from whom a sample was gathered is referred to as a population sampling frame (Leary, 2001). It is defined by Sarndal, Swensson, and Wretman (1992) as the source material or device from which a list of all elements inside a population that may be sampled can be drawn. It is a set of rules or a public list for identifying a group of people (Gall, Gall & Borg, 2017).

The employees' data base for senior management and middle level managers of all 49 licensed insurance companies operating in Kenya as of December 2020, as they appear in the IRA of Kenya website and database as indicated in Appendix IV, will be used as the sampling frame for the target population for this study.

3.4.2 Sampling Design

The architecture or technique for selecting study participants or responses is known as a sample design (Kothari, 2014). The systematic selection of a limited number of elements from a theoretically specified population of elements is referred to as sampling. The idea is to make broad generalizations about the entire population. The ultimate test of a sample design, according

to Kothari (2014), is how well it represents the characteristics of the population it is designed to represent.

This study utilized a combination of stratified and basic random sampling approaches to sample all of the insurance companies. To divide respondents into two groups, each insurance company will employ stratified random selection. The stratas was made up of senior and middle management staff. Within each of the two strata, simple random sampling was utilized to identify individual respondents who were given a questionnaire to complete in response to research claims. According to Kothari (2014), random sampling satisfies the law of statistical regularity since a sample drawn at random has the same characteristics and proportions as the general population.

3.4.2 Sample Size

Kombo and Tromp (2016) and Kothari (2014) define a sample as a collection of units picked from the universe to represent it. Marczyk, Dematteo, Festinger (2005), and Yang (2008) define a sample as a portion of the population to be studied. The practice of picking a selection of individuals from a community in order to obtain insight into the full population, especially for the aim of making predictions using inferential statistics, is known as data collecting (Black, 2014; 2011). The advantages of data gathering include affordability, efficiency, reliability, and quality of data (Ader, Mellenbergh, & Hand, 2008). A sample can be drawn from a sample selection, according to Cooper and Schindler (2017). The survey included a total of 1065 personnel from senior and middle management. According to Mugenda & Mugenda (2003), a tiny population is defined as a population of less than ten thousand entities. They offer a formula for calculating an adequate sample size from a small population, as illustrated in equation 1.

Equation 1

$n = Z^2 * p * (1-p) / d^2$ where n is the sample size desired for a large units (e.g., more than 10,000 population).

Z stands for standard normal deviation at the required level of confidence, Z value score, (1.96)

P is the estimated proportion of units with the characteristics to be measured in the target population. For this study, the threshold was set at 50%. (0.5)

d is the the study results desired precision level (0.05)

N is the 1065 subjects

Based on the equation 1, the sample of a big unit size can be established as

$$n = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 384$$

According to Mugenda and Muganda, the required sample size was smaller because the population was fewer than 10,000. (2003). In such circumstances, the researcher was required to calculate the total sample approximation using equation 2.

Where: n_0 = the desired sample size (when the population is less than 10,000), n = the desired sample size when the population is more than 10,000 and N = the population size prediction as;

$$384 / (1 + ((384 - 1) / 1065))$$

$$= 282$$

According to Kothari (2014) and Creswell (2017), a sample size of at least 10% to 15% can lead to valid generalizations about the general features of a study group. The goal sample size of 282 represents 26% of the target population, which is sufficient. The intended sample size was allocated among the 49 licensed insurance companies in the two strata using the study population ratio representation. This ensured that the sample distribution is fair and balanced. A comprehensive sample distribution can be seen in Appendix V.

3.5 Data collection Instruments and Procedures

Data collection, according to Creswell (2014), is the process of acquiring information from the investigation's designated subjects. The study collected both primary and secondary data to explore the relationship between corporate management approaches and the performance of Kenyan insurance companies. A questionnaire was used to gather primary data, and financial statements, audited and registered annual reports from Kenyan insurance companies were used to collect secondary data.

Data was collected via self-administered questionnaires. The researcher distributed the questionnaires at the respondents' workplaces. Respondents were given questionnaires, which the researcher collected later. The coding technique was used to match completed surveys that have been returned with those that have been distributed to respondents.

3.6 Pilot Study

Burdens and Abbott (2008) define a pilot study as a small-scale version of a larger study used to determine the actual parameters for the entire study. According to Cooper and Schindler (2010), a pilot test is also carried out to uncover any problems in the design and instrumentation, as well as to offer proxy data to aid in the selection of a probability sample. A pilot study is an activity that allows the researcher to see if the interview design has any inherent problems, restrictions, or other flaws, and to make any necessary changes before the study is implemented (Kvale, 2013).

To pre-test the validity and reliability of the data collected, a pilot study with at least ten (10) respondents was done. In order to avoid the potential of mistake and other constraints, the pilot test results was not included in the final research study and was considered a prologue to the intended research study. According to the rule of thumb, the pilot test should be one percent (1%) of the selected sample (Cooper & Schilder, 2011).

3.5.1 Reliability Test

Reliability, according to Shanghverzy (2011), refers to measurement coherence and is frequently examined using the test–retest approach. The measure's dependability is increased when many identical elements are put on it, a large sample of the population is evaluated, and uniform testing techniques are utilized. The researcher picked a pilot group of ten persons from the target population to test the study instrument's dependability.

During the pilot study, the research instruments were pre-tested. It was important to make the instrument items more obvious to the respondents in order to increase the validity and reliability of the instrument. The goal was to fix any instrument inconsistencies such that the instruments test what is supposed to be tested.

3.5.2 Validity Test

The degree to which a sample of test items accurately represents the test's data is defined by Berg and Gall (2016) as validity. Validity of the content was examined in this study. The researcher conducted a pilot study to determine the validity and reliability of the questionnaires. As in prior investigations, the content validity formula of Amin (2005) is applied (Cull, Deigurc-kunt & Morduch, 2013, Lefort & Urzua, 2008). Here's how to calculate it:

Content Validity Index = (number of judges who declared the item valid) / (Total no. of items). Instruments used in research should have a CVI of 0.78 or higher, and three or more experts' evidence of good content validity is recommended (Amin, 2005).

3.7 Data Analysis and Presentations

The researcher utilized mixed method which includes qualitative and quantitative techniques in analyzing the data. After receiving questionnaires from the respondents, the responses were cleaned (checking for outliers), edited, classified, coded and tabulated to analyze quantitative data using Statistical Package for Social Science (SPSS) software and descriptive and inferential statistics. Descriptive statistical analysis focused on the exhaustive measurement of sample characteristics. Inferential statistical analysis involved using information from the sample to make inferences, or estimates; about the population. Multiple regression was applied to test the effect of independent variables on financial performance of Kenyan insurance companies. Multiple regression was chosen for its ease of understanding and it is the most suitable analysis method. This is because it is one of the statistical tools used for discovering relationships between variables. It is used to find the linear model that best predicts the dependent variable from the independent variables (Beal, 2005).

Using multiple regression models with a 5% level of significance and a 95% level of confidence, the study examined the strength and direction of the relationship between the independent variables (equitable treatment of shareholders, transparency, accountability, and board discharge of responsibility) and the dependent variable (equitable treatment of shareholders) (performance of Insurance companies in Kenya). The outcomes of this processing was presented in prose form, and content analysis was utilized to examine qualitative data.

3.7.1 Descriptive

The essential properties of data in a study are described using descriptive statistics (also known as frequency analysis). They provide concise summaries of the sample and metrics. They form the basis of almost all quantitative data analysis, as well as simple graphical analysis. As a result, descriptive statistics enables the researcher to quantify the aggregate of raw data (Neuman 2016). Descriptive statistics such as standard deviation, percentages, and frequency distribution was used to examine the data. The following is the standard deviation formula:

$$s = \sqrt{\frac{\sum(X - \bar{X})^2}{n - 1}}$$

Where:-

S = sample standard deviation

\sum = sum of...

\bar{X} = sample mean

n = number of scores in sample.

3.7.2 Multiple Regression Analysis

The researcher can use regression analysis to see how much each independent variable influences the dependent variable. In the fourth chapter of the study, the data analysis findings was provided. Multiple regression analysis provides a more accurate explanation of the dependent variable because more variables are included in the analysis, and the effect of a specific independent variable is made more certain because the possibility of distorting influences from other independent variables is eliminated (Sharp & Howard, 2016). When regressed against four independent variables: equitable treatment of shareholders, transparency, accountability, and board discharge of responsibility, this model was used to predict the performance of insurance companies in Kenya

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$, Where;

Y = Performance of Insurance companies in Kenya, β_0 = constant (coefficient of intercept);

X_1 = Equitable treatment of shareholders,

X_2 = Transparency

X_3 = Accountability,

X_4 = Discharge of responsibility by the board

ε = error term and $\beta_1 \dots \beta_4$ = regression coefficient of four variables.

Each hypothesis was tested at 5% significance level. The coefficient and the r^2 of each independent variable in the whole model was applied to test its significance. This was used to test each hypothesis that related to each independent variable. The hypotheses were tested through the t-tests. Further, correlation was determined using the Pearson correlation coefficients for all the variables considered in the study.

However, before analysis of the data, various diagnostic tests were performed on the data to establish whether the data is suitable for analysis through the indicated model. The data was multicollinearity, heteroscedasticity, and autocorrelation. If the data failed any of the tests, it would be transformed to make it suitable for analysis through the panel model.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings. This chapter presents analysis of how corporate governance practices affect the financial performance of Kenyan insurance companies. The chapter also provides the major findings and results of the study.

4.1.1 Response Rate

The study targeted 282 respondents working in Kenya insurance companies from which 248 filled in and returned the questionnaires making a response rate of 87.9%. This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 60% is good and a response rate of 70% and over is excellent.

4.1.2 Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sample respondents from the chosen respondents working in Kenya insurance companies. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain item within a scale measures the same construct.

Coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Chandran, 2014), thus forming the study's benchmarked. Cronbach Alpha was established for every objective which formed a scale. Table 4.1 shows that board's release of responsibility had the highest reliability ($\alpha=0.915$), followed by equitable shareholder treatment ($\alpha=0.835$), transparency ($\alpha=0.819$) while accountability had the least reliability ($\alpha=0.798$). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.6.

Table 4. 1: Reliability Analysis

Scale	Cronbach's Alpha
Equitable shareholder treatment	0.835
Transparency	0.798
Accountability	0.819
Board's release of responsibility	0.915

4.2 Demographic Information

The study sought to establish the background information of the respondents including respondents' gender, level of education and duration of work with Kenya insurance companies.

4.2.1 Gender of the respondent

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are displayed in table 4.2. below.

Table 4. 2: Gender

	Frequency	Percent
Male	114	46
Female	134	54
Total	248	100.0

The findings in table 4.2 show the gender of the respondents. From the findings, the study established that the majority of respondents were female as shown by 54% while males were 46% of the respondents. This shows that there are more female than male employees employed by Kenya insurance companies.

Acker (2013) observed that gender equality was very important as a trait as it can be used to improve performance of all the staff involved. He argued that it fosters teamwork and also creates a sense of unity and an aspect of working together for a common goal with every

individual effort whether male or female being important to the attainment of the overall objectives. A gender sensitive firm provides a conducive working environment where a staff/manager is supposed to interact with other colleagues of the opposite gender in pursuit of excellence and achievement of set targets.

It can therefore be deduced that female dominated in the various cadres that fall within the Kenya insurance companies and therefore were the major players in Kenya insurance companies. However given that the difference was very small it can be inferred that Kenya insurance companies is a gender sensitive organization that provides equal opportunity to both male and female employees.

4.2.2 Level of Education

The study sought to find out the respondents level of education in order to ascertain whether academic and professional qualification affects corporate governance practices on the on the financial performance of Kenyan insurance companies. The findings of the study are displayed in table 4.3 below.

Table 4. 3: Highest level of education

Level of education	Frequency	Percent
Secondary	18	7.2
College	32	12.8
Degree	121	48.8
Postgraduate/PhD	77	31.2
Total	248	100.0

On the level of education of the respondents, 48.8% indicated under graduate (degree holder) level, 31.2% indicated Postgraduate/PhD, while 12.8% indicated College level finally 7.2% indicated that they had primary certificate. From these findings we can infer that most of the employees in Kenya insurance companies interviewed had the under graduate (degree holder) level as their highest level of education

The findings of the study concurs with Ngulube and Tafor (2015) who observed that each public organization has its own management organization structure with a matching head count budget to support the business and the persons assigned various duties should possess requisite professional and academic qualifications.

4.2.3 Respondents Work Experience

The study found it necessary to find out the respondents years in service as staff members of the Kenya insurance companies so as to find out the relationship between work experience and effective corporate governance practices on the performance of Kenya insurance companies. The findings of the study are displayed in figure 4.1 Based on the findings, majority (45%) of the respondents had over 15 years' experience while 30% had between 1-5 years. It was also revealed that 19% of the respondents had an experience 5-10 years. Finally the study revealed that 6% of the respondents had an experience of 10-15 years. In a study on the relationship between inventory operations and human capital, (Maria, 2011) found that management depends highly on the skills of the human resource handling them. She indicated that the skills can be acquired

From the findings therefore majority of the respondents were experienced and hence can be highly informative on issues that relate to performance Kenya insurance companies. Given that majority of the respondents had substantial work experience, it is therefore expected that the performance Kenya insurance companies would be effective.

The findings of the study are displayed in figure 4.1.

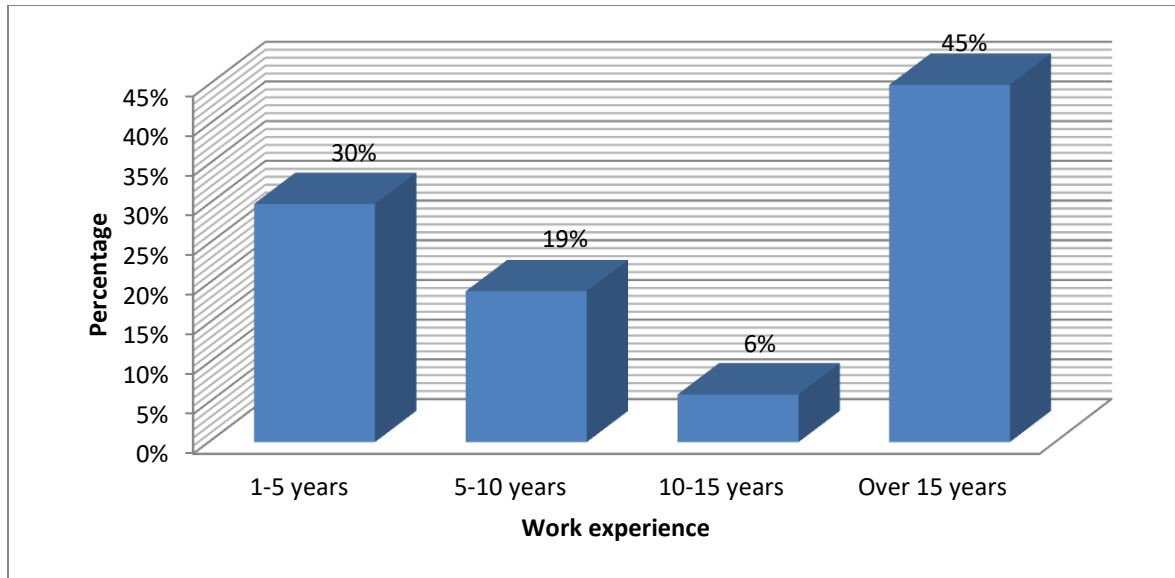


Figure 4. 1: Respondents Work Experience

4.3 Study Variables

The study sought to establish the effect of corporate governance on the financial performance of Kenyan insurance companies. Specifically, the study focused on equitable shareholder treatment, transparency, accountability and board's release of responsibility.

4.3.1 Equitable Shareholder Treatment

The respondents were asked does equitable shareholder treatment affect the performance insurance companies?. The majority (75%) of the respondents indicated that yes equitable shareholder treatment affect the of performance Kenya insurance companies while 25% disagreed that equitable shareholder treatment affect the performance of Kenya insurance companies. The findings of the study are displayed in figure 4.2.

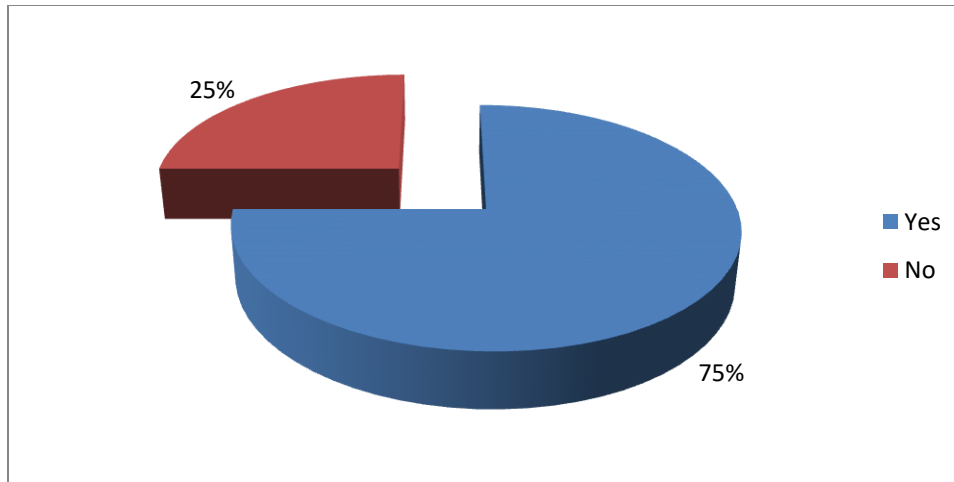


Figure 4. 2: Equitable Treatment of Shareholders

4.3.1.2 Statements on Equitable Treatment of Shareholders

The respondents were requested to indicate the extent to which the following statements of equitable shareholder treatment have an effect on the performance of Kenyan insurance companies. Their responses were as shown in Table 4.4.

Table 4. 4: Statements on Equitable Treatment of Shareholders

Equitable treatment of shareholders	Mean	Std. Deviation
Minority shareholder rights are clearly stated in governance policies	3.8800	.88129
Minority shareholders are represented on the board	3.5200	.96264
The procedures for re-election and appointment of the board of directors at the company are clear, formal, and transparent	3.5300	1.22882
All relevant information is readily available to shareholders	3.5000	1.00499
Annual general meetings are communicated in a clear and efficient manner	3.5010	1.00519

From the findings on the aspects of equitable treatment of shareholders have an effect on the performance of Kenyan insurance companies, the respondents indicated that Minority shareholder rights are clearly stated in governance policies to a great extent as shown by a mean score of 3.8800. This is in line with Bohrer, (2017) who opined that Equitable treatment of shareholders require that minority shareholders be protected from abusive actions by or in the interest of controlling shareholders acting either directly or indirectly and should have effective means of redress.

Further, the respondents indicated that minority shareholders are represented on the board as shown by a mean score of 3.5200. Additionally, the respondents indicated that the procedures for re-election and appointment of the board of directors at the company are clear, formal, and transparent to a great extent as shown by a mean score of 3.5300. Also, the respondents indicated with the mean score of 3.5000 that all relevant information is readily available to shareholders to a great extent. Finally respondents indicated that annual general meetings are communicated in a clear and efficient manner as shown by a mean score of 3.5010.

4.3.2 Transparency

The study sought to find out does transparency affect the financial performance of Kenyan insurance companies. The majority (68%) of the respondents indicated that yes transparency affect the financial performance of Kenyan insurance companies while 32% disagreed that transparency affect the financial performance of Kenyan insurance companies. The findings of the study are displayed in figure 4.3.

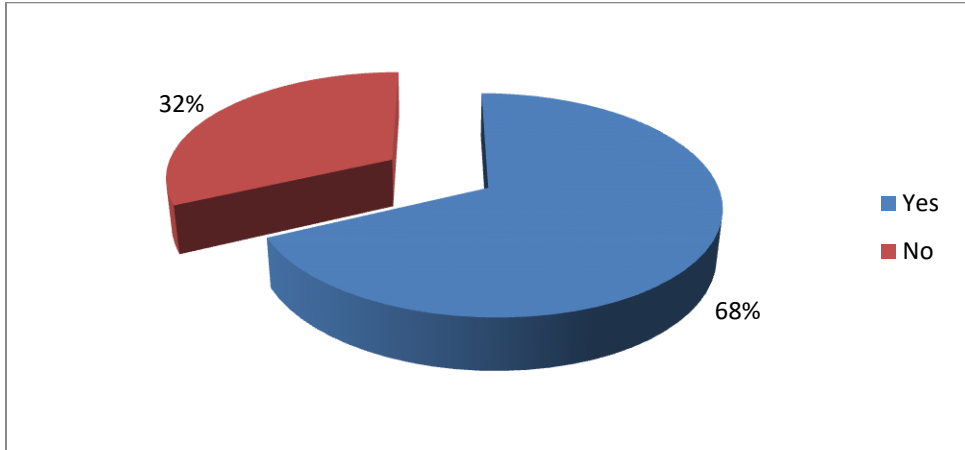


Figure 4.3 Transparency

4.3.2.1 Statements on transparency

Additionally, the respondents were presented with statement on statements that relate to the effect of transparency on the financial performance of Kenyan insurance companies. The findings were as shown in Table 4.5.

Table 4.5: Statements on transparency

Transparency	Mean	Std. Deviation
The term "transparency" is frequently "applied indiscriminately to a number of characteristics of an open system	3.8800	.89679
The degree of openness, clarity, and information efficiency enacted by regulatory and monetary bodies is more conceptually defined as transparency.	4.2400	.94964
Transparency in organizations refers to the extent to which a company's financial information is visible and understandable to investors and other market participants	4.1000	.92868
Transparency plays a role in lowering the costs of crises	4.2130	.98489

From the table 4.5, the respondents indicated that the term "transparency" is frequently "applied indiscriminately to a number of characteristics of an open system as shown by a mean score of 3.8800. Further, the respondents indicated that the degree of openness, clarity, and information efficiency enacted by regulatory and monetary bodies is more conceptually defined as transparency as shown by a mean score of 4.2400. The respondents also indicated that transparency in organizations refers to the extent to which a company's financial information is visible and understandable to investors and other market participants as shown by a mean score of 4.1000. Finally the respondents indicated that transparency plays a role in lowering the costs of crises as shown by a mean score of 4.2130.

4.3.3 Accountability

The respondents were asked does accountability affect financial performance of Kenyan insurance companies?. The majority (74%) of the respondents indicated that yes the accountability affect the financial performance of Kenyan insurance companies while 26% disagreed that accountability affect the financial performance of Kenyan insurance companies. The findings of the study are displayed in figure 4.4.

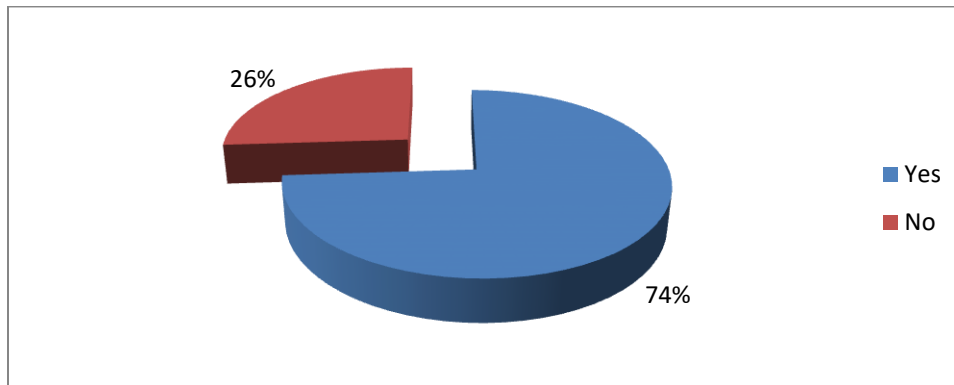


Figure 4.4 Accountability

4.3.3.1 Statements on Accountability

The respondents were in addition asked to indicate how the following statement affected accountability on financial performance of Kenyan insurance companies n. The responses were as shown in Table 4.6.

Table 4. 6: Statements on Accountability

Accountability	Mean	Std. Deviation
Accountability is concerned with the gathering of critical information for decision-making, as well as the need for operations to be economical, efficient, and effective	3.7900	.78102
The extent to which the duty to answer is fulfilled improves accountability.	3.8400	.86019
Procedures such as timeliness (or report authentication and communication) as well as the process improve accountability	3.8202	.82868
The level of accountability and transparency in government has considerable social and economic implications.	3.9170	.89489

From the findings on the statement on accountability have an affected on financial performance of Kenyan insurance companies, the respondents indicated that accountability is concerned with the gathering of critical information for decision-making, as well as the need for operations to be economical, efficient, and effective as shown by a mean score of 3.7900. This is in line with Aruwa, (2011) who opined that the extent to which each element of accountability has to be strengthened to provide necessary and sufficient inducement for strong accountability should form the primary concern of such improvement.

Further, the respondents indicated that the extent to which the duty to answer is fulfilled improves accountability as shown by a mean score of 3.8400. Additionally, the respondents indicated that Procedures such as timeliness (or report authentication and communication) as well as the process improve accountability as shown by a mean score of 3.8202. Finally the level of accountability and transparency in government has considerable social and economic implications as shown by a mean score of 3.9170.

4.3.4 Board's Release of Responsibility

The respondents were asked the affected of board's release of responsibility on the financial performance of Kenyan insurance companies. The majority (61%) of the respondents indicated that yes the board's release of responsibility has an affected on the financial performance of Kenyan insurance companies while 39% disagreed that board's release of responsibility has an affected on performance of Kenyan insurance companies. The findings of the study are displayed in figure 4.5 below.

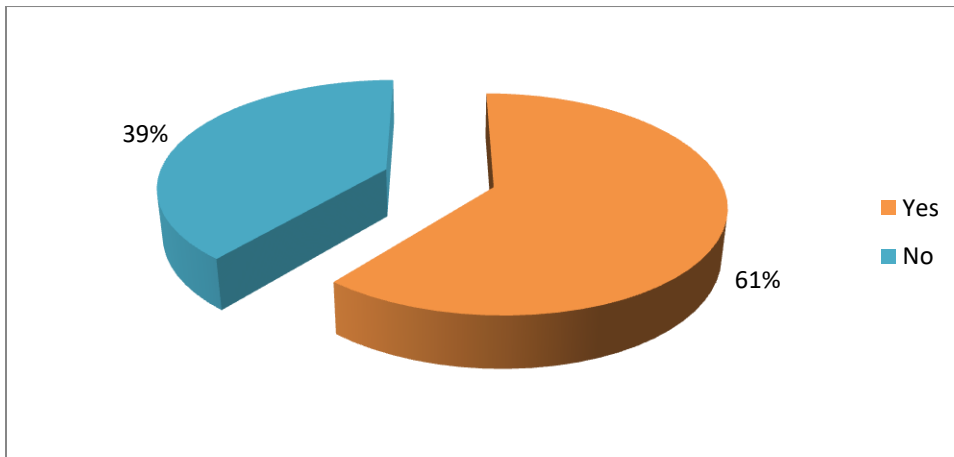


Figure 4.5 Board's release of responsibility

4.3.4.1 Statements on board's release of responsibility

The respondents were in addition asked to indicate how the following statement on board's release of responsibility affected on performance of Kenyan insurance companies. The responses were as shown in Table 4.7.

Table 4. 7: Statements on board's release of responsibility

Board's release of responsibility	Mean	Std. Deviation
The board is fully aware of their responsibilities in protecting the interests of all stakeholders	3.9600	1.27410
The board has the authority to assess the state of internal control and the controls in place	3.80 00	1.11803
An annual audit of the board's material internal control, financial, operational, compliance control, and risk management is conducted by internal or external auditors	4.0800	1.03763
The board of directors receives and acts on timely and accurate information about the company's qualitative performance (e.g., customer satisfaction and service quality, environmental concerns, market share and market reaction).	3.3333	1.34056
The board receives and acts on timely information about third party transactions.	3.8000	1.22474

According to the table 4.7, the respondents indicated that the board is fully aware of their responsibilities in protecting the interests of all stakeholders as shown by a mean score of 3.9600. Additionally, the respondents indicated that the board has the authority to assess the state of internal control and the controls in place as shown by a mean score of 3.8000. Further, the respondents indicated that an annual audit of the board's material internal control, financial, operational, compliance control, and risk management is conducted by internal or external auditors as shown by a mean score of 4.0800. Also, the respondents indicated that the board of directors receives and acts on timely and accurate information about the company's qualitative performance (e.g., customer satisfaction and service quality, environmental concerns, market

share and market reaction). as shown by a mean score of 3.3333 each. In addition, the respondents indicated that the board receives and acts on timely information about third party transactions.as shown by a mean score of 3.8000. The findings are in line with findings by Bonn (2014) who found that the board is the management body in a firm responsible for suggesting and implementing major policies, a responsibility that may lead to agency problems between the management and shareholders.

4.4 Performance of insurance companies in Kenya

The study set out to determine the factors that affect Performance of insurance companies in Kenya. The following are the findings obtained.

4.4.1 Statements regarding the Performance of insurance companies in Kenya

The respondents were requested to indicate the extent to which the statements relate to Performance of insurance companies in Kenya. The results were as shown in Table 4.8.

Table 4. 8: Statements regarding the Performance of insurance companies in Kenya

Performance of Kenya Reinsurance Corporation	Mean	Std. Deviation
Level of Customer satisfaction	4.1200	1.12990
Level of Employee satisfaction	4.3200	1.02956
Cedant Claims Incurred	4.3600	.90738
Level of Profitability of insurance companies	4.3610	.90748
Amount of Premium Volume of insurance companies	4.3700	.94738

According to the table 4.8, the respondents agreed that level of Customer satisfaction was very high to a very great extent as shown by a mean score of 4.1200. The respondents agreed that the level of employee satisfaction is key to the insurance companies to a great extent as shown by a mean score of 4.3200. Also the respondents agreed that cedants claims incurred was many as shown by a mean score of 4.3600. Additionally the respondents agreed that level of Profitability of insurance companies was very good.

Lastly, the respondents agreed that the amount of Premium Volume underwritten by the insurance companies was high to a great extent as shown by a mean score of 4.3700. The findings were in line with Mackie (2008) who explained performance as the range of managerial activities designed to measure, monitor and adjust aspects of organizational acts through appropriate internal controls to ensure that the organization (and its sub-units) achieve their objectives.

4.5 Descriptive Statistics for Financial performance

Table 4. 9: Descriptive Statistics for Financial performance

Financial Performance	Mean	Std. Dev.	Min.	Max.
ROE	13.60572	9.94750	-6.573212	45.54791
ROA	13.77785	11.1399	-6.186083	46.89982

Source: (Researcher, 2021)

4.6 Regression Analysis

Table 4. 10: Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.853 ^a	0.728	0.673	1.673

- a. Predictors: (Constant), equitable shareholder treatment, transparency, accountability, board's release of responsibility. Table 4.10 is a model fit which establish how fit the model equation fits the data. The adjusted R^2 was used to establish the predictive power of the study model and it was found to be 0.673 implying that 67.3% of the variations in the financial performance of Kenyan insurance companies are explained by a variety of factors which equitable shareholder treatment, transparency, accountability, board's release of responsibility by the board leaving 32.7% unexplained. Therefore, further studies should be

carried out to establish the other contributing factors (32.7%) affecting financial performance of Kenyan insurance companies.

Table 4. 11: ANOVA results of the regression analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172.152	4	43.038	13.366	.000
	Residual	64.4	20	3.220		
	Total	236.552	24			

a. Predictors: (Constant), equitable shareholder treatment, transparency, accountability, and board's release of responsibility

b. Dependent Variable: performance of Kenyan insurance companies

The probability value of 0.000 shown in table 4.11 indicates that the regression relationship was highly significant in predicting how equitable shareholder treatment, transparency, accountability, and board's release of responsibility affected performance of Kenyan insurance companies. The F calculated at 5 percent level of significance was 13.366. Since the F calculated is greater than the F critical (value = 13.366), this shows that the overall model was significant.

Table 4. 12: Coefficients of regression equation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.329	0.473		2.825	0.0105
	Equitable shareholder treatment	0.638	0.172	0.205	3.709	0.0139
	Transparency	0.576	0.155	0.693	3.716	0.0136
	Accountability	0.605	0.187	0.222	3.235	0.0415
	board's release of responsibility	0.537	0.159	0.468	3.377	0.0299

a. Dependent Variable: Performance of Kenyan insurance companies

The regression findings in table 4.12 has established that taking all factors into account (Equitable shareholder treatment, transparency, accountability, and board's release of responsibility) constant at zero Performance of Kenyan insurance companies will be 1.329. The findings presented also show that taking all other independent variables at zero, a unit increase in equitable shareholder treatment would lead to a 0.638 increase Performance of Kenyan insurance companies and a unit increase in transparency would lead to a 0.576 increase in the Performance of Kenyan insurance companies. Further, the findings shows that a unit increase in accountability led to a 0.605 increase in Performance of Kenyan insurance companies while a unit increase in board's release of responsibility led to a 0.537 increase in the Performance of Kenyan insurance companies.

In terms of magnitude, the findings indicated that Equitable shareholder treatment had the highest affected on Performance of Kenyan insurance companies followed by Accountability, then Transparency while board's release of responsibility by the board had the least affected on Performance of Kenyan insurance companies. All the variables were significant as their P-values were less than 0.05.

The established optimal model for the study was:

$$Y = 1.329 + 0.638X_1 + 0.576X_2 + 0.605X_3 + 0.537X_4$$

Where:

X₁ denotes equitable shareholder treatment

X₂ symbolizes Transparency

X₃ represents Accountability

X₄ signifies the board's release of responsibility

4.7 Assumptions of regression analysis

Regression is a parametric approach. 'Parametric' means it makes assumptions about data for the purpose of analysis. Due to its parametric side, regression is restrictive in nature. It fails to deliver good results with data sets which doesn't fulfill its assumptions. Therefore, for a successful regression analysis, it's essential to validate these assumptions.

1. There should be a linear and additive relationship between dependent (response) variable and independent (predictor) variable(s). A linear relationship suggests that a change in response Y due to one unit change in X^1 is constant, regardless of the value of X^1 . An additive relationship suggests that the effect of X^1 on Y is independent of other variables.
2. There should be no correlation between the residual (error) terms. Absence of this phenomenon is known as Autocorrelation.
3. The independent variables should not be correlated. Absence of this phenomenon is known as multicollinearity.
4. The error terms must have constant variance. This phenomenon is known as homoskedasticity. The presence of non-constant variance is referred to heteroskedasticity.
5. The error terms must be normally distributed.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary, conclusions and recommendations of the study. The chapter presents the discussion of key data findings surrounding the effects of corporate governance practices on the financial performance of Kenyan insurance companies. The conclusions and recommendations drawn were focused on addressing the objective of the study.

5.2 Summary of Findings

This section provides a summary of the findings from the study. The chapter illustrates the effect of findings on the four variables which include equitable shareholder treatment, transparency, accountability, and board's release of responsibility on the financial performance of Kenyan insurance companies. This chapter also contains recommendations and suggestions for further studies.

5.2.1 Equitable shareholder treatment

The study found out that equitable shareholder treatment have an affected on the financial performance of Kenyan insurance companies. The respondents indicated that Minority shareholder rights are clearly stated in governance policies; Further, the respondents indicated that minority shareholders are represented on the board. Additionally, the respondents indicated that the procedures for re-election and appointment of the board of directors at the company are clear, formal, and transparent. Also, the respondents indicated that all relevant information is readily available to shareholders to a great extent. Finally respondents indicated that annual general meetings are communicated in a clear and efficient manner.

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their right" (OECD, 2014).

Equitable treatment of shareholders has attracted a wide range of opinion among researchers. The Bohrer, (2017), study on mergers and acquisitions in relation to protecting the rights of shareholders found that financial performance of a firm could be affected by among others, the reason why one was a minority shareholder in the first place. The study highlighted several reasons why investors took minority equity ownership positions in target firms. Among the reasons, he identified the use of minority shareholder position as a foothold to a complete takeover, in order to obtain appropriate technologies, markets or projects in exchange for token capital influence. Corporate governance that focuses on emphasizing and appreciating the role of minority shareholders is likely to be affected on a firm's financial performance. In a study to investigate the effect of minority shareholders on performance of targeted firms, Rahman, (2016), found that firms targeted by the Minority Shareholder Watch Dog Group (MSWG) earned statistically significant higher stock returns than non-targeted firms. The results of various hypotheses tests involving firms' performance measures showed that MSWG targeted firms experienced significant increase in earnings relative to non-targeted firms in the first and second years of MSWG involvement.

5.2.2 Transparency

In regard to transparency the study found that transparency is frequently applied indiscriminately to a number of characteristics of an open system. Further, the respondents indicated that the degree of openness, clarity, and information efficiency enacted by regulatory and monetary bodies is more conceptually defined as transparency. The respondents also indicated that transparency in organizations refers to the extent to which a company's financial information is visible and understandable to investors and other market participants.

The findings were in agreement with Nyokabi (2016) who carried out a study on transparency and disclosure of risk information in Kenyan banking industry during the period between 2014 and 2008. She carried out a census study with only 22 respondents and concluded that banks disclose information on risk in their annual audit accounts irrespective of the size or ownership structure. The benefits on transparency include improved management and board credibility and improved investor confidence thus welcoming more investments and consequently improved financial performance.

The study was also in agreement with Suchada (2017) who carried out a study on the performance effects of transparency and disclosure and board of directors. He used a sample population of 100 companies that were listed at the Thailand stock exchange in the periods between 2014 and 2017. In his study he divided transparency in to three levels: - total transparency, three categories of transparency and disclosure and finally the twelve categories of transparency and disclosure. He used ROA and Tobin Q as performance indicators he concluded that in the first level total transparency and disclosure is not related to any of the performance measures since there was a 10% significant level. In the second level transparency and disclosure were found to affect firms' value in terms of investment opportunity since there was 5% significant level. This is because the higher the transparency and disclosure in financial information the lower the asymmetry of information between management and shareholders and thus lower cost of capital. In the third level of transparency and disclosure accounting policy review and accounting policy details were positively related to operating financial performance and firm value.

5.2.3 Accountability

In relation to accountability the study found that accountability is concerned with the gathering of critical information for decision-making, as well as the need for operations to be economical, efficient, and effective. Further, the respondents indicated that the extent to which the duty to answer is fulfilled improves accountability. Additionally, the respondents indicated that Procedures such as timeliness (or report authentication and communication) as well as the process improve accountability. Finally the level of accountability and transparency in government has considerable social and economic implications.

The findings were in agreement with Hyder et al. (2017), who found that accountability is a component of governance that refers to the responsibility and ability of one group to explain their actions to another. The World Health Report (WHO) (2016) uses the concept “stewardship” to capture these functions, although it has thus been suggested that “governance” is a more comprehensive, widely recognized, and thus preferable term (Siddiqi et al. 2015). Accountability is one of the foundations of good governance and it ensures actions and decisions taken by officials of a an institution are subject to oversight so as to guarantee organizations meet their

stated objectives and respond to the needs of the community they are meant to be benefiting, thereby contributing to better governance hence good performance. However, accountability exists when there is a relationship where an individual or body, and the performance of tasks by that individual or body, are subject to another's checks that they provide justification for their actions. Solomon and Solomon (2014), notes accountability is one area where the corporate success of the future will be measured and there is a demand for greater accountability and a growing perception that companies that are accountable to a broad range of stakeholders display better long-term performance.

5.2.4 Board's release of responsibility

In relation to **board's release of responsibility** the study found out that the board is fully aware of their responsibilities in protecting the interests of all stakeholders. Additionally, the respondents indicated that the board has the authority to assess the state of internal control and the controls in place. Further, the respondents indicated that an annual audit of the board's material internal control, financial, operational, compliance control, and risk management is conducted by internal or external auditors. Also, the respondents indicated that the board of directors receives and acts on timely and accurate information about the company's qualitative performance (for example customer satisfaction and service quality, environmental concerns, market share and market reaction). In addition, the respondents indicated that the board receives and acts on timely information about third party transactions..

According to Arora and Petrovna, (2016), Corporate Social Responsibility (CSR) encompasses the economic, legal, ethical and philanthropic expectations that society has of organizations at a given point in time. "Furthermore, these four categories or components of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place" (Carroll, 2018)

5.3 Conclusion

From the study a number of deductions were made. It was observed that equitable shareholder treatment had an affected on financial performance of Kenyan insurance companies. It was further noted from the findings that the rights of the minority shareholders were well articulated

in governance policies developed by the corporation and that the board of directors have a share of minority shareholder representation. It was also noted that the company procedures for re-election and appointment of the board are clear formal and transparent; that shareholders have quick access to all relevant information.

The study further concludes that in regard to the affected of transparency on the financial performance of Kenyan insurance companies that this is deemed more conceptually as the degree of openness, clarity and information efficiency as enacted by regulatory and monetary bodies and is the extent to which financial information about a company is visible and understandable to investors and other market participants. The study concludes that transparency acts as an agent to reduce the risk of perpetration of business crises and associated costs.

Further the study concludes that the relationship between accountability and financial performance of Kenyan insurance companies aids in dealing with the generation of essential information for decision making, the need for economy, efficiency, and effectiveness of operations. It concludes that accountability is enhanced by the extent to which one is answerable to and is enhanced by procedural influences such as timeliness. In addition the study also concludes that the level of accountability and transparency in the public service has serious implications for economic and social development.

With regard to the affected on board's release of responsibility the study concludes that the board has a full understanding of their responsibilities to safeguard the interest of all the stakeholders; and has the capacity to make an assessment on the internal control systems. Further, the study concludes that the board undertakes annual review on the material internal control; financial, operational, compliance control and risk management by the internal or external auditors.

5.4 Recommendations

On equitable shareholder treatment the study recommends that the corporate governance framework should be geared towards equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. Kenyan insurance companies should pay more attention to

safeguard the shareholders rights, maintain their board responsibilities, disclose the process for evaluating the performance of the board, its committees and individual directors, establish a code of conduct and disclose the code or a summary of the code as to practices that necessary to maintain confidence in the Kenyan insurance companies integrity and to take into account their legal obligations and the reasonable expectations of their Stakeholders.

The OECD code recommends that all shareholders (minority or majority; foreign or domestic) of each type of share be treated equally. An important aspect of “equal treatment” is the concept of “one share-one vote ” which is practiced in many, though not all, OECD countries. According to this Anglo- American practice, all shares should have equal voting rights in order to provide owners with proportionate power to influence the decisions of the company. In many countries (including OECD countries), other practices such as non-voting shares, shares with greater voting power, etc. are common. In some countries there is a cap on the voting rights of large shareholders, effectively giving their shares less voting rights than that of minority holders. In these circumstances, minority shareholders exercise undue influence over the decision-making process. The OECD Principles do not choose one practice in preference to another, though in some countries different types of voting shares are either discouraged or being abandoned altogether.

In a bid to improve the effect of transparency and financial performance of Kenyan insurance companies the study recommends that the Kenyan insurance companies should ensures accurate accounting methods, make full and prompt disclosure of company information and make disclosure of conflict of interests of the directors or controlling shareholders. A key component in the entrenching ‘good’ governance’ is ‘transparency’, which incorporates a system of checks and balances among the board of directors, management, auditors and other stakeholders. In addition the study recommends the corporate governance should ensure that timely and accurate disclosure is made of all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

The study recommends good corporate governance in the relationship between accountability and financial performance of Kenyan insurance companies. These in turn promotes relationships of accountability among the primary corporate participants. Subsequently this is expected to

enhance corporate performance by holding management accountable to the board and the board accountable to the shareholders.

On the board's release of responsibility on the financial performance of Kenyan insurance companies the study recommends that the board should have a well-structured insurance companies organizational structure. This will enable the board and senior management to carry out their responsibilities and facilitate effective decision-making and good governance. This should outline clear roles and responsibilities for the oversight authorities including the board and management.

5.5 Suggestion for Further Studies

The study suggests more studies should also be carried out taking into account other performance variables such as leverage and debt on equity. A similar study should also be carried out on relationship between firms' financial performance and board composition in Kenya incorporating more corporate governance variables.

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APPENDICES

Appendix I: Letter of Introduction

FESTUS MUIMI

KCA University

P.O Box 62013-0200

Nairobi

11th June, 2021

TO WHOM IT MAY CONCERN

RE: PERMISSION TO COLLECT DATA FOR ACADEMIC RESEARCH

Dear Sir / Madam,

I am a postgraduate student at KCA University School of Business Administration pursuing a Master of Business Administration in Corporate Management (MBA.). I intend to research on "THE EFFECT OF CORPORATE MANAGEMENT STRATEGIES ON THE PERFORMANCE OF INSURANCE COMPANIES IN KENYA."

Your responses will be kept strictly confidential because the study is solely for academic purposes. If you could please answer all of the questions, that would be fantastic. Please accept my heartfelt thanks in advance for your assistance.

Yours Sincerely,

Festus Muimi

Part B: Equitable Treatment of Shareholders

4. Does equitable treatment of shareholders affect the performance Insurance companies in Kenya

Yes No

ii) Kindly explain your answer

.....

5. To what extent do you agree with the following statements in terms of corporate governance practices aimed at treating shareholders fairly? Use a likert scale of 1-5 where 5= SA-Strongly Agree; 4=A- Agree; 3= N-Neutral; 2= D-Disagree and 1=SD-Strongly Disagree. Tick as appropriate.

Statement	SA	A	N	D	SD
Minority shareholder rights are clearly stated in governance policies.					
Minority shareholders are represented on the board.					
The procedures for re-election and appointment of the board of directors at the company are clear, formal, and transparent.					
All relevant information is readily available to shareholders.					
Annual general meetings are communicated in a clear and efficient manner.					

6. How else, in your opinion, does equitable treatment of shareholders affect the performance of Kenyan insurance companies?

.....

Part C: Transparency

7. Does transparency affect performance Insurance companies in Kenya

Yes No

ii) Kindly explain your answer

.....

8. How much do you agree with the following statements about the affected of transparency on the performance of Kenyan insurance companies?

Use a scale of 1-5 (1- Strongly agree; 2-Agree; 3-Neutral; 4- disagree; 5- strongly disagree)

	1	2	3	4	5
The term "transparency" is frequently "applied indiscriminately to a number of characteristics of an open system."					
The degree of openness, clarity, and information efficiency enacted by regulatory and monetary bodies is more conceptually defined as transparency.					
Transparency in organizations refers to the extent to which a company's financial information is visible and understandable to investors and other market participants.					
Transparency plays a role in lowering the costs of crises.					

9. How else, in your opinion, does transparency affect the performance of Kenyan insurance companies?

.....

Part D: Accountability

10. Does accountability affect the performance Insurance companies in Kenya?

Yes No

ii) Kindly explain your answer

.....

11. What level of agreement do you have with the following statements about the affected of accountability on the performance of Kenyan insurance companies?

Use a scale of 1-5 (1- Strongly agree; 2-Agree; 3-Neutral; 4- disagree;5- strongly disagree)

	1	2	3	4	5
Accountability is concerned with the gathering of critical information for decision-making, as well as the need for operations to be economical, efficient, and effective.					
The extent to which the duty to answer is fulfilled improves accountability.					
Procedures such as timeliness (or report authentication and communication) as well as the process improve accountability.					
The level of accountability and transparency in government has considerable social and economic implications.					

12. In what other ways, do you think accountability affects the performance of Kenyan insurance companies?

.....

Part E: Discharge of Board Responsibilities

13. Does discharge of board responsibilities affect performance Insurance companies in Kenya?

Yes No

ii) Kindly explain your answer

.....

14. In terms of governance practice in the discharge of board responsibilities, to what degree do you agree with the following statements? Use a likert scale of 1-5 where 5= SA-Strongly Agree; 4=A- Agree; 3= N-Neutral; 2= D-Disagree and 1=SD-Strongly Disagree. Tick as appropriate.

Statement	SA	A	N	D	SD
The board is fully aware of their responsibilities in protecting the interests of all stakeholders.					
The board has the authority to assess the state of internal control and the controls in place.					
An annual audit of the board's material internal control, financial, operational, compliance control, and risk management is conducted by internal or external auditors.					
The board of directors receives and acts on timely and accurate information about the company's qualitative performance (e.g., customer satisfaction and service quality, environmental concerns, market share and market reaction).					
The board receives and acts on timely information about third party transactions.					

15. How else do you think the discharge of board responsibilities affects the performance of Kenyan insurance companies?

.....

F: Performance of insurance companies in Kenya

16. To what degree do you agree with the following statements about insurance company performance in Kenya?

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Level of Customer satisfaction					
Level of Employee satisfaction					
Cedants Claims Incurred					
Level of Profitability of Corporation					
Number of Premium Volume of Corporation					

16. What suggestions can you give to improve the performance of insurance companies in Kenya?

.....

Thank you

Appendix III: List of Licensed Insurance Companies

1. AAR Insurance Kenya Limited
2. APA Insurance Limited
3. Africa Merchant Assurance Company Limited
4. Apollo Life Assurance Limited
5. AIG Kenya Insurance Company Limited
6. .British-American Insurance Company (Kenya) Limited
7. Cannon Assurance Limited
8. Capex Life Assurance Company Limited
9. CFC Life Assurance Limited
10. CIC General Insurance Limited
11. CIC Life Assurance Limited
12. Continental Reinsurance Limited
13. Corporate Insurance Company Limited
14. Direct line Assurance Company Limited
15. East Africa
16. Reinsurance Company Limited
17. Fidelity Shield Insurance Company Limited
18. First Assurance Company
19. GA Insurance Limited
20. Gateway Insurance Company Limited
21. Geminia Insurance Company Limited
22. ICEA LION General Insurance Company Limited
23. ICEA LION Life Assurance Company Limited
24. Intra Africa Assurance Company Limited
25. Invesco Assurance Company Limited
26. Kenindia Assurance Company Limited
27. Kenya Orient Insurance Limited
28. Kenya Reinsurance Corporation Limited
29. Madison Insurance Company Kenya Limited

30. Mayfair Insurance Company Limited.
31. Metropolitan Life Insurance Kenya Limited
32. Occidental Insurance Company Limited
33. Old Mutual Life Assurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited
36. Phoenix of East Africa Assurance Company Limited
37. Pioneer Assurance Company Limited
38. Real Insurance Company Limited
39. Resolution Insurance Company Limited
40. Shield Assurance Company Limited
41. Takaful Insurance of Africa Limited
42. Tausi Assurance Company Limited
43. The Heritage Insurance Company Limited
44. The Jubilee Insurance Company of Kenya Limited
45. The Monarch Insurance Company Limited
46. Trident Insurance Company Limited
47. UAP Insurance Company Limited
48. UAP Life Assurance Limited
49. 49.Xplico Insurance Company Limited Source.

IRA Website

Appendix IV: Study Sample Distribution

Name of Company	Senior Management	Middle Management	Total
1. AAR Insurance Kenya Limited	5	15	20
2. APA Insurance Limited	8	18	26
3. Africa Merchant Assurance Company Limited	5	9	14
4. Apollo Life Assurance Limited	7	15	22
5. AIG Kenya Insurance Company Limited	6	18	24
6. .British-American Insurance Company (Kenya) Limited	12	31	43
7. Cannon Assurance Limited	5	8	13
8. Capex Life Assurance Company Limited	4	8	12
9. CFC Life Assurance Limited	12	34	46
10. CIC General Insurance Limited	9	16	25
11. CIC Life Assurance Limited	6	15	21
12. Continental Reinsurance Limited	5	8	13
13. Corporate Insurance	5	7	22

Company Limited			
14. Direct line Assurance Company Limited	7	15	18
15. East Africa	5	13	20
16. Reinsurance Company Limited	6	14	22
17. Fidelity Shield Insurance Company Limited	8	14	16
18. First Assurance Company	5	11	18
19. GA Insurance Limited	6	12	18
20. Gateway Insurance Company Limited	5	11	16
21. Geminia Insurance Company Limited	9	23	32
22. ICEA LION General Insurance Company Limited	8	20	28
23. ICEA LION Life Assurance Company Limited	5	11	16
24. Intra Africa Assurance Company Limited	6	21	27
25. Invesco Assurance Company Limited	8	18	26
26. Kenindia Assurance Company Limited	6	11	17
27. Kenya Orient Insurance Limited	8	17	25

28. Kenya Reinsurance Corporation Limited	7	16	23
29. Madison Insurance Company Kenya Limited	5	13	18
30. Mayfair Insurance Company Limited.	5	12	17
31. Metropolitan Life Insurance Kenya Limited	5	8	13
32. Occidental Insurance Company Limited	4	7	11
33. Old Mutual Life Assurance Company Limited	7	16	23
34. Pacis Insurance Company Limited	5	13	18
35. Pan Africa Life Assurance Limited	7	15	22
36. Phoenix of East Africa Assurance Company Limited	5	12	17
37. Pioneer Assurance Company Limited	6	18	24
38. Real Insurance Company Limited	5	14	19
39. Resolution Insurance Company Limited	6	19	25
40. Shield Assurance Company Limited	5	9	14

41. Takaful Insurance of Africa Limited	6	13	19
42. Tausi Assurance Company Limited	5	11	16
43. The Heritage Insurance Company Limited	9	18	27
44. The Jubilee Insurance Company of Kenya Limited	11	31	42
45. The Monarch Insurance Company Limited	5	11	4
46. Trident Insurance Company Limited	4	13	5
47. UAP Insurance Company Limited	12	33	12
48. UAP Life Assurance Limited	8	27	9
49. Xplico Insurance Company Limited Source.	3	7	3
Total	316	749	282