

## Abstract

**Purpose:** The general objective of this study was to establish the impact of budgeting practices on financial performance of insurance companies in Kenya. **Methodology:** The study applied descriptive research design. The population of the study comprised the 45 insurance and reinsurers companies that are were registered by the year 2010. The target sample was 50% of the population. A sample size of 50% is adequate for a descriptive study which has a small population. This implied that the sample was 23 insurance companies. Convenient sampling was used to obtain the 23 insurance companies. The study used secondary data collected from the Insurance Regulatory Authority, Association of Kenya Insurers and the respective insurance and reinsurers companies. The study used Statistical Package for Social Sciences (SPSS Version 17.0) and Stata version 13 to analyze the panel data. Descriptive statistics such as, mean and frequencies and inferential statistics (regression and correlation analysis) were used to perform data analysis. **Results:** The study found out that CAPEX variance and performance (ROI) are negatively and significant related ( $r=-0.1611$ ,  $p=0.000$ ), OPEX variance and performance (ROI) are negatively and significant related ( $r=-0.1267$ ,  $p=0.000$ ), human resource variance and performance (ROI) were negatively and significantly related ( $r=-0.1129$ ,  $p=0.000$ ) while income variance and performance (ROI) were also positively and significantly related ( $r=0.2136$ ,  $p=0.000$ ). From the findings, the study concluded that CAPEX variance has a negative and significant effect on performance (ROI). The study also concluded that OPEX variance has a negative and significant effect on performance (ROI). In addition, the study concluded that human resource variance has a negative and significant effect on performance (ROI) and lastly, the study concluded that income variance has a positive and significant effect on performance (ROI). **Policy recommendation:** Study recommended that insurance companies should focus on minimizing the variances. Secondly, the study recommends that insurance firms need to focus on maximizing income variance since it was found to have a positive effect on performance. This would ensure that they derive maximum returns from their operations