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OWNERSHIP STRUCTURE, SIZE AND FINANCIAL PERFORMANCE OF INSURANCE FIRMS IN KENYA

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A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND LEADERSHIP STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (FINANCE) DEGREE OF ST PAUL'S UNIVERSITY

OCTOBER 2024

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DECLARATION

Declaration by the student

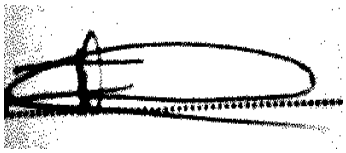
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DEDICATION

This dissertation is dedicated to my parents, Mr. Samuel Munyao and Mrs. Rose Samuel, whose unwavering love, guidance, and sacrifices have laid a solid foundation for my life and academic pursuits. Their constant support and belief in me have been my greatest source of strength.

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ABSTRACT

Insurance companies in Kenya are vital for economic development through financial security, but they face significant challenges in terms of declining financial performance. This persistent issue undermines their profitability, limits growth opportunities, and raises concerns about their long-term sustainability. The link between ownership structure and financial performance has attracted significant unending debate in the finance literature. This is largely ascribed to the bulk of mixed findings which have largely been documented in a continuum of empirical studies. The main objective of this study is to probe the relationship among ownership structure, size and financial performance of the insurance firms in Kenya. The specific objectives are to: determine the effect of managerial ownership on performance of insurance firms in Kenya; establish the influence of institutional ownership on financial performance of insurance firms in Kenya; examine the effect of foreign ownership on financial performance of insurance firms in Kenya and finally to assess the moderating effect of size on the relationship between ownership structure and financial performance of insurance firms in Kenya. This empirical investigation is anchored on agency, stewardship and stakeholder theories. The study adopted descriptive longitudinal research design and the population of the study comprised of a census of all 56 insurance firms in Kenya. The study relied on secondary data which was gathered using a data collection sheet for the period 2018 to 2022. Ownership structure was measured by managerial, institutional and foreign dimensions; size was represented by total assets; whereas financial performance was operationalized by return on assets. To analyse data, both descriptive and inferential statistics were used. Descriptive statistics in form of mean, standard deviation, skewness and kurtosis was computed. The relationship among the variables was estimated using panel regression model. The findings indicated that managerial ownership, institutional ownership and foreign ownership had a negative significant influence on financial performance. Furthermore, size synergistically moderated the relationship between ownership structure and financial performance. The study's recommendations highlight implications for theory, policy, and management practice, underscoring how ownership structures like managerial, institutional, and foreign ownership impact financial performance, contrary to traditional views. Policy makers, including regulators like the IRA, can use these findings to refine governance frameworks tailored to diverse firm sizes and financial performances in the insurance sector. Furthermore, the study underscores management's role in optimizing ownership compositions, thereby enhancing corporate governance practices. For future research, exploring cross-sectional datasets and diverse sectors beyond insurance in different regulatory environments could offer deeper insights into ownership dynamics and their impacts on financial performance.

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ACKNOWLEDGEMENT

First and foremost, I am deeply grateful to the Almighty for granting me the knowledge, strength, and intelligence to accomplish my studies successfully. The completion of this project has been made possible through the encouragement and guidance of many individuals. I extend my heartfelt thanks to my supervisor, Dr. William Sang, whose expert guidance and valuable suggestions played a crucial role in completing this project on time. Dr. John Njuguna Kiarie deserves my sincere appreciation for his constructive feedback and encouragement throughout the review process, which significantly contributed to refining my work.

I am also indebted to my parents for laying the foundation of my education and supporting me unwaveringly. Their sacrifices and encouragement have been instrumental in my academic journey. I am grateful to my family and friends for their continuous prayers, support, and understanding during challenging times. Special thanks go to my school friends and classmates whose collaboration and well-wishes were pivotal in the successful completion of this proposal. Their camaraderie and assistance have been invaluable, and I am truly appreciative of their contributions to this milestone in my academic career.

ST. PAUL'S UNIVERSITY

St. Paul's University Repository

TABLE OF CONTENTS

DECLARATION.....**ii**
DEDICATION.....**iii**
ABSTRACT.....**iv**
ACKNOWLEDGEMENT.....**v**
LIST OF TABLES.....**xi**
LIST OF FIGURES.....**xii**
OPERATIONAL DEFINATION OF TERMS.....**xiii**
LIST OF ABBREVIATIONS AND SYNONYMS.....**xiv**

CHAPTER ONE: INTRODUCTION.....**1**
1.1 Background of the Study.....1
1.1.1 Ownership Structure.....5
1.1.2 Firm Size.....7
1.1.3 Financial Performance.....8
1.1.4 Insurance Firms in Kenya.....9
1.2 Problem Statement.....10
1.3 Objectives of the Study.....12
1.3.1 General Objective.....12
1.3.2 Specific Objectives.....13
1.4 Research Hypotheses.....13
1.5 Significance of the Study.....13
1.6 Scope of the Study.....14
1.7 Limitation of the Study.....15

CHAPTER TWO: LITERATURE REVIEW.....**16**
2.1 Introduction.....16
2.2 Theoretical Framework.....16
2.2.1 Agency Theory.....16
2.2.2 Stewardship Theory.....18
2.2.3 Stakeholder Theory.....19
2.3 Empirical Review.....21
2.3.1 Managerial Ownership and Financial Performance.....22
2.3.2 Institutional Ownership and Financial Performance.....23
2.3.3 Foreign Ownership and Financial Performance.....24
2.3.4 Ownership Structure, Size and Financial Performance.....25
2.4 Conceptual Framework.....30

CHAPTER THREE: RESEARCH METHODOLOGY.....**32**
3.1 Introduction.....32
3.2 Research Design.....32
3.3 Target Population.....33

ST. PAUL'S UNIVERSITY

3.4 Data Collection....34
3.4.1 Data Sources....34
3.4.2 Data Collection Procedure....34
3.4.3 Data Collection Tool....35
3.5 Diagnostic Tests....35
3.6 Data Analysis and Presentation....37
3.7 Ethical Considerations....38

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION....39
4.1 Introduction....39
4.2 Descriptive Statistics....39
4.3 Diagnostic Tests....40
4.3.1 Normality Test....40
4.3.2 Multicollinearity Test Results....41
4.3.3 Test for Aautocorrelation....42
4.3.4 Panel Unit Root Test....42
4.3.5 Heteroscedasticity Test....44
4.3.6 Model Specification Test....44
4.4 Correlation Analysis....45
4.5 Regression Results....45
4.5.1 Ownership Structure and Financial Performance....46
4.5.2 Ownership Structure, Size and Financial Performance....48

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.50
5.1 Introduction....50
5.2 Summary of the Key Findings....50
5.3 Conclusions....50
5.4 Recommendations of the Study....52
5.5 Areas for Further Research....53
REFERENCES....55

APPENDICES....61
Appendix I: Data Collection Sheet....61
Appendix II: List of Insurance Companies....62
Appendix III: NACOST Research Permit....64
Appendix IV: Recommendation Letter....66
Appendix V: Recommendation Letter....67
Appendix VI: Turnitin Report....69

ST. PAUL'S UNIVERSITY

St. Paul's University Repository

LIST OF TABLES

Table 1: Summary of empirical Literature and Research Gaps.....27
Table 2: Descriptive Statistics Results.....39
Table 3: Skewness/Kurtosis tests for Normality Results.....40
Table 4: Variance Inflation Factor and Tolerance Value Results.....41
Table 5: Serial Correlation Tests Results.....42
Table 6: Unit Root Test Results.....43
Table 7: Heteroscedasticity Test Results.....44
Table 8: Hausman Specification Test Results.....44
Table 9: Pearson's Correlations Analysis Results.....45
Table 10: Ownership Structure and Financial Performance.....46
Table 11: Ownership Structure, Size and Financial Performance.....48

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LIST OF FIGURES

Figure 1: Conceptual Model.....31

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OPERATIONAL DEFINATION OF TERMS

Financial Performance	This is a measure of how well a firm utilizes its existing assets to generate revenue in the course of its mundane operations. It is measured by return on assets.
Foreign Ownership	Percentage of shares held by the foreign investors
Institutional Ownership	Percentage of shares held by other organizations
Managerial Ownership	Percentage of shares held by the management
Firm Size	This is the magnitude of production capacity and the potential that firms have and can be availed to its target clientele. It is measured by total assets.

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LIST OF ABBREVIATIONS AND SYNONYMS

IO:	Institutional Ownership
FP:	Financial Performance
GDP:	Gross Domestic Product
GMM:	General Method of Moments
IO:	Institutional Ownership
IRA:	Insurance Regulatory Authority
MO:	Managerial Ownership
NACOSTI:	National commission for Science, Technology and Innovation
NPM:	Net Profit Margin
OLS:	Ordinary Least Squares
PLS:	Partial Least Squares
ROA:	Return on Assets
ROE:	Return on Equity
UK:	United Kingdom
US:	United States

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The nexus between ownership structure and financial performance has attracted significant unending debate in the finance literature. The debate can be traced to the classical works of Berle and Means (1932) who argued that the shareholdings diffusion intensity and financial performance was inversely correlated. However, this standpoint was challenged by Demsetz (1983), who suggested that the corporation's ownership structure should be viewed as an endogenous consequence of decisions that mirrors the shareholders influence and shares trading at market place. Notably, when the privately held company owners decide to dispose their shareholding, and when the publicly held corporation shareholders approve to a new ancillary distribution, they are, indeed, altering the firm's ownership structure, with greater likelihood, to make that structure more diffuse (Rashid, 2020). Consequent share trading therefore will mirror the aspirations of the probable and existing owners to alter their firm ownership stakes.

During corporate takeovers, prospective owners exert significant influence over the ownership structure of the entity. This influence reflects decisions made by current and potential shareholders alike, as noted by Ye (2019). The structure of corporate ownership, whether it is diffuse or concentrated, typically aligns with shareholders' interests in maximizing profits. However, contrary to the belief that disparities in ownership structure do not systematically correlate with variations in financial performance, Ting (2017) suggests that these structures can indeed influence organizational outcomes. This perspective underscores the complexity of ownership dynamics and their potential impact on company performance. Empirical studies, such as those by Wen (2017), further complicate this relationship by indicating that firm size plays a pivotal role in moderating the association between ownership structure and financial performance. Larger firms may possess greater resources and capabilities to manage diverse ownership structures effectively, thereby enhancing financial outcomes.

Within the insurance sector, the ownership structure is varied in terms of managerial, institutional and foreign ownership (Financial Stability Report, 2022). A number of the insurance companies are locally owned and are characteristically classified into

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managerial and institutional shareholding (IRA Report, 2022). On the other hand, foreign owned firms are few even though they are not fully foreign-owned. In terms of size, insurance firms differ in sizes ranging from large, medium and small (Panda, 2019). The ownership structure of large insurance firms is wider in terms of shareholders compared to small insurance firms. In addition, insurance sector' financial performance has been on an upward trend despite the adverse effects of COVID 19 which largely affected its overall performance (Financial Stability Report, 2022).

According to Pidchosa and Dovhoseia (2019), the global insurance industry has maintained robust performance and profitability. Insurance companies, such as life insurers and purveyors of property and casualty, financial coverage and health perform essential economic activities and are significant market participants in the financial sector. They allow economic agents to diversify idiosyncratic risk, which facilitates certain business activities (Liedtke, 2021). As essential institutional investors in global capital markets, insurance companies occupy a position that cannot be ignored. In the fourth quarter of 2022, the insurance sector represented 17.8 percent of total assets in the global financial industry (Xi & xi, 2021). In 2017, United States (US) insurance institutions maintained more than 25% of US corporate bonds and held assets worth $6.5 trillion (Emine, 2019),

Globally, insurance firms are a significant source of long-term risk capital for the real economy, and they are among the largest institutional investors, holding approximately 12 percent of global financial assets, or $24 trillion (85 percent of which is life insurance). Theoretically, their long-term investment horizon enables them to function as a financial market stress absorber. According to OECD (2017), global insurance firms' performance based on Return on Equity (ROE) parameters depicted positive results in all forms of insurance; this was associated with an average increase in underwriting risk of 3.7% in the life sector and 2.0% in the non-life sector. The ROE remained positive, and shareholder equity grew. The characteristics of insurance companies, such as market share and insurance product, are crucial to the expansion of insurance products in the European market (OECD, 2017). Their role is crucial in amplifying the industry's image in the eyes of customers.

It has been observed that the context of firm characteristics substantially influences the performance and growth of the global insurance industry. The strong performance of the

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sector may attract consumers, leading to high demand for its services when the economy is thriving, but often comes at a cost to consumers, with demand declining when economic conditions worsen (Ahmad, 2017). Turkey, Russia and Costa Rica were the best insurance performers in the European insurance sector in 2017 and is attributable to an increase of 30% in premiums and a 12% increase in leverage from 2015 and 2016 (OECD, 2017). Due to an increase in equity capital, firm liquidity, firm size as well as premiums, the European insurance industry held 32% of the global market in 2016. The North America came second at 31% while Asia came third at 30%. In Turkey, 9.3% of the population has health insurance, which is way higher than Latvia at 4.6% and Iceland at 2%. The company's large size, high current ratio, low loss ratio and remarkable premium growth contributed to its 4.5% growth in 2014 (Insurance Europe, 2016).

According to Kaya (2016), firm characteristics such as current ratio, firm age, firm size, premiums, and premium growth exerted significant influence on sales profitability and technical profitability ratios in Turkey. This study underscores the importance of various intrinsic factors of firms in shaping their financial performance metrics. Building on this theme, Burca and Batrinca (2020) conducted research in Romania, highlighting the crucial role of insurance company characteristics in decision-making processes and financial outcomes. Their findings indicated that larger firm size, higher leverage, increased retention ratio, and higher underwriting risk positively correlated with improved financial performance among Romanian insurance firms.

Furthermore, Batool and Sahi (2019) highlighted that asset turnover; liquidity, leverage, and firm size positively contribute to the performance of insurance companies. Their study emphasizes the beneficial impact of these factors on enhancing operational efficiency and financial outcomes within the insurance sector. In contrast, research focusing on the US and UK markets reveals varying impacts of leverage, interest rates, and asset turnover on insurance company performance. In the US context, these factors exert a negative and significant effect, indicating potential challenges in managing liabilities and optimizing asset utilization. Conversely, in the UK, while similar factors exhibit a negative effect, the magnitude of their impact is considered negligible, suggesting a different operational environment or regulatory framework influencing financial performance metrics. The distinction between insurers and banks is underscored by insurers' longer-term liabilities, asset diversification strategies, and

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limited interdependencies within the broader financial system. This characteristic of high substitutability implies that failing insurers can be readily replaced by others, potentially mitigating systemic risks associated with financial instability.

The overwhelming majority of African countries support the performance of the insurance sector for economic growth and sustainability (Olarewaju & Msomi, 2021). This contributes to the expansion of equity capital and financial markets. (Padayachee et al., 2019) Africa's insurance industry remains one of the most difficult, but industry representatives continue to develop and adapt to capitalize on the numerous emergent development opportunities. Africa's insurance industry has a nominal gross domestic product (GDP) value of approximately $68 billion, ranking it eighth in the globe (Bagus, 2020). Nonetheless, this value is not distributed uniformly across the continent. Africa's micro insurance market is valued at approximately $25 billion. Estimating the market for generic micro-insurance products yields the following results: health insurance (560 million), life products (300 million), property insurance (100 million), credit life (75 million), agriculture (65 million) (Nhabinde& Heshmati, 2020).

Notwithstanding, insurance performance in the Sub-Saharan Africa has been negatively impacted by market inconsistencies with regards to size, composition, development, and extent of consolidation, with 91% of premiums domiciled in only ten countries (Asongu& Odhiambo, 2020). According to Olarewaju and Msomi (2021), South Africa has the largest and most established insurance market contributing to 70% of total premiums in the region hence adding considerably to insurance companies' performance (Olarewaju& Msomi, 2021; Chinaka, 2016). South Africa's insurance sector is the fourth largest in the community of growing economies. (Mushunje &Mashasha, 2020). The insurance industry in South Africa is supported by a stable regulatory environment, high degree of local competitiveness and a diversified multichannel distribution. South Africa's insurance penetration rate also emerged as the leading among the analyzed developing nations, at 12.89%, well ahead of China, which ranked second at 4.2% (Asongu& Odhiambo, 2020). With a rate of 7.25 percent, Namibia's border markets are superior to Tunisia's rate of 2.14 percent.

In 2018, Zimbabwe witnessed a significant increase in premiums across its insurance sector, reflecting a robust growth trend in the industry. Meanwhile, in Nigeria during the period from 2014 to 2018, the commercial insurance segment showed strong

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performance, particularly in sectors such as oil and gas, which saw annual growth rates of 9%, and marine and aviation, with growth rates of 10% annually. By 2018, these sectors accounted for a substantial portion of Nigeria's nonlife insurance premiums, with oil and gas insurance contributing 34% and marine and aviation insurance contributing 11%. In 2020, non-life insurance companies in the Southern African Development Community (SADC) region were influenced by several key factors impacting their performance. Msomi and Nyide (2020) highlighted that investment capability, equity capital levels, operational efficiency, leverage ratios, and the lagging return on assets were critical determinants shaping the financial outcomes of insurers within the SADC.

In 2019, the Ghana Oil and Gas Insurance Pool (GOGIP) demonstrated significant growth, increasing from $25 million in 2016 to $48 million, representing a notable 15% share of the country's total nonlife insurance premiums (Deloitte, 2020). This expansion was attributed to various firm characteristics such as size, growth rate, and age of insurance companies. However, research by Ajao and Ogieriakhi (2018) highlighted a nuanced relationship between firm size and financial performance in the insurance sector. While initial growth in size may have facilitated market penetration and increased premium revenue for the GOGIP, over the long term, larger insurance firms experienced diseconomies of scale. This suggests that as firms grew larger, inefficiencies or increased operational costs began to outweigh the benefits of scale, negatively impacting their financial performance.

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In Ethiopia, Teklit and Jasmindeep (2017) conducted a study revealing significant correlations affecting the performance of insurance companies. They found negative correlations between underwriting risk, firm size, return on assets, asset tangibility, and leverage, indicating that larger firms with higher asset tangibility and leverage tended to experience lower returns and higher risks in underwriting activities. Interestingly, there was no observed correlation with liquidity, age of the firm, or growth in written premiums, suggesting that these factors did not directly influence financial performance in the context studied. Additionally, Deyganto and Alemu (2019) highlighted the positive impact of premium growth and increases in the solvency ratio on Ethiopian insurance performance. Given that general insurance dominates the East African insurance market in terms of total premiums written, these insights underscore the critical role of insurers' performance in driving sectoral growth and stability, as noted by the Insurance Regulatory Authority (IRA, 2014).

1.1.1 Ownership Structure

Ownership structure is the comparative quantity of ownership claims held by the firm insiders/managers and outsiders that is, investors without direct relationship with corporate management (Abu-Qadan & Suwaidan, 2019). According to Alabdullah, (2018), ownership structure is the fraction of ordinary shares held by controlling stockholders as equated to total outstanding shares of the organization. Ownership structure is termed as the equity distribution regarding capital and votes alongside the identity of the equity owners (Alanezi, 2021). Ownership structure symbolizes the dispersion of the equity holdings on the basis of capital contributed as well as the voting rights. According to Bataineh (2021), ownership structure is delineated as a concentrated ownership (inside structures), and extensively diffused ownership (outside structures). Simply put, ownership structure connotes the interest of plurality of stakeholders and can be construed as diffused, where vast of shareholding is owned by small manifold shareholders of concentrated where the share-bulk is set in the hands of the minority investors.

The ownership structure is of utmost importance in corporate governance because it impacts managers' incentives and, consequently, the firm's effectiveness (Alexiou, 2021). The ownership structure is a crucial determinant of the nature of agency relationships, i.e., whether the dominant conflict is between shareholders and managers or between minority and majority shareholders. Erin (2017) argues that exceptional

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overlay between ownership composition and management should ostensibly be regulated to curtail conflicts of interest between the aforementioned parties, thereby resulting in enhanced financial performance. Furthermore, Alhababsah (2019) suggests that ownership structure potentially acts as an alternative corporate governance strategy that monitors corporate efficiency. Diverse shareholders with varying interests often determine corporate governance mechanisms. For instance, institutional shareholders are capable of triggering dynamic managerial monitoring to rationalize owners and managements aspirations and may pursue their own desires at the expense of minority stockholders (Kautsar, 2019). When it comes to foreign shareholding, the key interest entails transferring exceptional skills or attracting foreign capital (Alhaji & Sani, 2018). Finally, heightened managerial ownership elicits effective resource utilization and optimizes shareholders wealth (Ye, 2018).

Based on the empirical literature, prior empirical studies have operationalized ownership structure in diverse approaches. Alhassan and Mamuda (2020), for instance, suggested three fundamental metrics to represent ownership structure; namely, foreign ownership, ownership concentration, and institutional ownership. Vu, Phan, and Le (2018) utilized three indicators to determine the ownership structure: institutional ownership, ownership concentration, and managerial ownership. In a separate empirical investigation, Alkurdi and Mardini (2020) operationalized ownership structure by employing various categories of corporate shareholding, institutional investors, foreign shareholders, and managerial shareholding.

Institutional shareholding was represented by the stake held by financial institutions and the government; foreign shareholding was measured by the proportion of all shares held by foreign investors; corporate shareholding was quantified by the proportion of all shares held by corporate entities; and managerial shareholding was represented by the proportion of shares held by the firm's directors. On the other hand, Khan and Said (2020) captured ownership structure using the categorization of state(government), family, nominees and politicians, as represented by the proportion of shares owned by the respective parties. This study will measure ownership structure using managerial, institutional and state ownership.

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1.1.2 Firm Size

Firm size is the variety and capacity of production possessed by an organization as well as corporate service multiplicity that can all together be presented to a myriad of clients (Almahrog, 2018). According to Wang and Shailer (2018), firm size is described as the aptitude of corporate resources, number of employees as well as the quantity of corporate turnover. Likewise, Al-Saheed (2018) describe corporate size as the share of assets controlled by an entity that is characterized by productive proficiencies. Firm size is the enormousness of entity's productive ability, resource endowment in addition to service variety which can be offered to vital stakeholders. According to Daadaa and Jouini (2018), firm size is a corporate attribute that gives entity's magnitude with respect to the number of employees, revenues, assets, market capitalization as well as profits. Alsmady (2018) defines size as the organization's market capitalization capacity. Firm size is the firm's collective value current stock.

The effect of firm scale on the association between ownership structure and financial performance is significant. Firms large in size are expected to have a better performance compared to small-sized since they possess the capability of harnessing the market power and in a position to enjoy economies of scale thus lowing the overall cost of production (Ye, 2019). Concerning access to capital from financial institutions, large firms are capable of sourcing funds with little difficulties compared to smaller firms. This is justified on the ground that large firms possess massive assets, which can be used as collateral to borrow additional funds to support business operations (Bayero & Bambale, 2017). Likewise, large organizations are able to charge premium prices above normal prices in comparison to what small organizations are charging (Erin, 2017). As a result, exorbitant charges translate to superior profits. Regarding the production costs, large organizations enjoy reduced production cost (Gonzalez, 2017). Large sized firms can afford high overheads compared to smaller firms which are hindered by the resource constraints (Ting, 2017).

From empirical literature, researchers have employed diverse indicators as substitutes for size in their empirical investigations. Examples of the prevalently applied metrics include: sales turnover, total assets, number of employees, number of shareholders as well as market capitalization. Alhassan and Manuda (2020) examined the nexus between ownership structure and performance of Nigerian quoted firms using size as a measure of size. Similarly, Peng, Qui, Lin, and Au (2020) used the natural log of total

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assets and sales turnover as size when investigating the relationship between Chinese firm ownership structure and financial performance. Using the number of board members as a proxy for board size, Ogabo, Ogar, and Nuipoko (2021) evaluated the relationship between ownership structure and performance among United Kingdom firms. The current investigation will utilize total assets as a size metric.

1.1.3 Financial Performance

FP is quantification of entity's capacity to optimally apply its crucial corporate resources to produce important revenues in the process of its routine business operations (Bisoo, 2018). According to Habus and Praskinar (2021), financial performance is a way to quantify the output of a company's operations in monetary terms. Iwasaki and Mizobata (2018) term financial performance as a mechanism of assessing corporate actions in objective monetary terms. Owing to multiplicity of definitions, financial performance can therefore be delineated as an objective quantification of output of organizations operations, strategies and policies in financial terms. Financial performance is crucial because it signifies the firm's collective financial well-being over a specified time period and serves as a key indicator for evaluating sectorial and industry health (Kautsar, 2019). As pointed out by Kou, Lu and Dinh (2020), financial performance offers direction on matters concerning assets purchases, business expansions and managerial control. Excellent financial performance entices new investors and correspondingly encourages the current shareholders to take up extra investments as long as they are profitable (Lin & Fu, 2017). Moreover, financial performance is vital in decisions relating to capital investment financing since well profitable firms are better placed to raise further capital effortlessly from numerous sources (Mamatzakis & Xu, 2021).

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The bulk of empirical inquiries have acknowledged a wide-ranging metrics that can be employed to quantify financial performance. The frequently used metrics can be clustered into three: market-based measures, accounting-based measures and lastly the perceptual-based measures (Ting, 2017). Market-based measures typically include Tobin Q, price to book value ratio, market to book ratio among others and quantifies returns on the perspective of the shareholder. Panda and Leepsa (2017) examined the financial performance of publicly traded companies using a comparable set of metrics. The primary benefit of these metrics is their modernity. Accounting-based measures, on the other hand, indicate the response of a firm's earnings to various managerial policies

and include indicators such as profit after tax, return on equity (ROE), return on sales (ROS), and return on assets (ROA). While probing financial performance of manufacturing firms, Shabbir (2018) adopted these set of metrics and suggested that these indicators shows management's discretionary choices and therefore lack objectivity. Finally, perceptual-based metrics require research participants to offer subjective estimates of the firm's performance. This study will use ROA to measure FP since accounting-based measures are only ideal for the listed firms.

1.1.4 Insurance Firms in Kenya

There are two broad categories within the insurance industry: general insurance and long-term insurance. As of 31/12/2022, there were fifty-six insurance companies, five reinsurance companies, two hundred and twenty insurance agencies, and eleven thousand eight hundred and twenty-eight insurance agents, according to a report by the Insurance Information Institute (IRA) for 2022. Notably, general insurance-related business accounts for fifty-two percent of total insurance premiums in 2022, and premiums for the entire insurance sector increased by eighteen-point-five percent to Ksh 276.2 billion (Financial Stability Report, 2022). The distribution of insurance related services in the Kenyan economy, as measured by the ratio of insurance premium to GDP, which remained unchanged at 2% in 2022 and 2021. Nonetheless, the ratio remains lower than the global average of seven percent. The ownership structures of Kenyan insurance companies are diverse. Currently, the ownership structure includes managerial ownership, institutional ownership, and foreign ownership. In the past two decades, the Kenyan government had a stake in a number of insurance companies, but the state has since transferred ownership based on a revised ownership framework (IRA Report, 2022).

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In Kenya, management competence index, leverage, and Equity Capital were positively correlated with Returns on Assets (ROA), while ownership structure and company size were negatively correlated with Returns on Equity (ROE). Shockingly, there was no correlation between ROA and a company's age, liquidity, underwriting risk or retention ratio. The corporate assets of the insurance sector at the end of 2021 amounted to Kshs 850.52 billion, an increase of 11.2% from the Kshs 765.59 billion recorded in 2021 (Financial Stability Report, 2022). This portfolio included intangible assets (1.1%), fixed assets (1.3%), current assets (11.3%), and investments (86.3%). In 2022, total assets under general insurance business amounted to KES 268.11 billion (31.4%), while

total assets under long-term insurance business amounted to KES 582.42 billion (68.6%) (IRA, 2022 report). Long-term businesses invested 524.5 billion shillings (78.6%) and general businesses invested 144 billion shillings (21%), respectively, in earning assets.

In addition, the top three classes of investment assets were government securities (71.6%), real estate investments (10.8%), and bank deposits (6%). The insurance companies diverge in terms of assets, sales volume, and employee count (IRA, 2022). In 2022, the gross investment income comprised 70.32 billion shillings, a 38.3% increase from 2021's gross investment income total of 50.87 billion shillings. Moreover, long-term business reported the highest investment income of 52.73 billion shillings, representing 75.1% of the industry's total investment income. The sector's after-tax profits increased by 56.6% from the previous year's figure of 5.53 billion to 8.65 billion shillings.

1.2 Problem Statement

The insurance sector in Kenya plays a vital role in the country's economic development, contributing significantly to its GDP, with the industry's share increasing from 2.7% in 2021 to 3.1% in 2022, according to the Kenya National Bureau of Statistics (KNBS). However, many insurance firms are facing serious challenges due to declining financial performance. A study by Mahamoud (2021) revealed that over half of the 55 registered insurance firms as of 2020 are at risk of moving into receivership within the next eight years. The continuous deterioration in financial performance has been highlighted as the primary factor threatening the survival of these companies.

Vlademir (2018) argues that a firm's ownership is structured to maximize firm value and that firms' ownership and strategic decisions reflect efforts to mitigate agency problems between various stakeholders to avoid potential conflicts of interest between a controlling shareholder and minority investors. As Janice (2015) notes, business owners prioritize safeguarding their individual interests, despite the fact that this may result in low profitability and investment returns due to their risk aversion-influenced investment decisions. Whereas corporate strategic decisions are responsible of facilitating value creation in Kenya's insurance firms, their optimization would have to be traced to ownership restructuring in order to enhance their effectiveness towards a positive financial performance.

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According to Alhassan and Manuda (2020), firms with a dispersed ownership structure tended to apply short-term project strategies for the interest of quick profits and dividends whereas those with concentrated structures were more comfortable with long-term options, which do have higher value creation capabilities. Elsewhere, Al-Saheed (2018) noted that investment decisions took six times longer to settle in firms with a dispersed ownership structure compared to those with concentrated structures.

Wang and Shailer (2018) view the ownership structure in the lens of credibility and transparency. They found firms with a concentrated ownership structure to be partial in their engagement of shareholders. There was thrice a higher likelihood for funds to be misappropriated in firm with concentrated ownership structure compared to one with a dispersed structure. Erin (2017) relates ownership structure to the managers-shareholders relationship. Firms with a dispersed ownership structure were 3.5 times more likely to have a poor financial performance that those concentrated, due to the greater diversity of interests. Dispersed shareholders had varying investment horizons, risk preferences and policies, making it difficult to reach consensus on strategic decisions. Disagreements among dispersed shareholders also resulted in increased monitoring costs and agency problems, further affecting financial performance.

Empirical literature is mixed in the sense that some prior studies have reported positive linkage between ownership structure and financial performance, some neutral and others negative relationship. For instance, Wang and Shailer (2018) established the nexus between ownership concentration and ROE among Canadian was insignificant. Nevertheless, Vu et al. (2018) confirmed that concentrated ownership had a positive significant relationship with financial performance among the listed firms in Mexico, whereas Alanezi's (2021) empirical inquiry in Tunisia reported insignificant linkage between ownership structure represented by public ownership, ownership concentration as well as foreign ownership and financial performance proxied by ROA. Liu, Zhang and Liang (2019) investigated non-financial firms in Vietnam and the study's findings confirmed that the association between state ownership and ROA was positively significant. These conflicting findings are ascribed to conceptual disparities, contextual variations as well as methodological differences.

Operationalization of the study variables has been a major conceptual challenge since there are diverse measures which are used to represent ownership structure, size and

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financial performance (Prasnikar, 2021). For example, some studies have employed indicators such as ownership concentration, institutional ownership, managerial ownership, institutional ownership as well as family ownership to measure ownership structure and this is a major contributor of mixed findings in ownership structure-financial performance related studies. Similarly, there are heterogeneous indicators of size such as total assets, sales turnover, market capitalization as well as number of full employees and the choice of any set of these indicators often influences the outcome of the empirical studies carried out (Shabbir, 2018). Finally, financial performance is measured using either accounting based indicators (e.g., ROA, ROE, NPM etc.) or market-based measures (e.g Tobin Q, market to book ratio, price earnings ratio, etc.) and this usually affects the relationship between ownership structure, size and financial performance. The conditions in developed and developing markets differ in terms of regulatory, economic and cultural environments, and this influences the outcomes of the relationship among the study variables. This study therefore endeavors to address these gaps by answering the research question: what is the relationship among ownership structure, size and financial performance of insurance firms in Kenya?

1.3 Objectives of the Study

The current study is guided by one overall objective and four specific objectives.

1.3.1 General Objective

Overall, this study aims to examine the relationship among ownership structure, size and financial performance of insurance firms in Kenya.

1.3.2 Specific Objectives

i. To determine the influence of managerial ownership and the financial performance of insurance firms in Kenya.
ii. To establish the effect of institutional ownership and the financial performance of insurance firms in Kenya.
iii. To examine the influence of foreign ownership and the financial performance of insurance companies in Kenya.
iv. To assess the effect of firm size on the relationship between ownership structure and financial performance of insurance firms in Kenya.

ST. PAUL'S UNIVERSITY

1.4 Research Hypotheses

H_{01} The is no significant influence of managerial ownership and the financial performance of insurance firms in Kenya.

H_{02} The is no significant effect of institutional ownership and the financial performance of insurance firms in Kenya.

H_{03} The is no significant influence of foreign ownership and the financial performance of insurance companies in Kenya.

H_{04} The is no significant effect of firm size on the relationship between ownership structure and financial performance of insurance firms in Kenya.

1.5 Significance of the Study

This empirical study contributes to the literature on ownership structure and financial performance by providing deeper insights into their complex relationship, which has previously yielded mixed empirical findings. It challenges the notion of a straightforward link between ownership structure and financial outcomes, highlighting instead the influential role of factors like firm size as moderators. By examining how ownership dynamics interact with firm size, the study aims to elucidate whether and how these relationships differ across different organizational contexts. This approach not only enhances our understanding of corporate governance mechanisms but also underscores the importance of considering contextual factors in assessing how ownership structure impacts financial performance. The findings are expected to inform both theoretical discussions and practical implications for stakeholders aiming to optimize corporate governance strategies in diverse business environments.

The study significantly contributes to management practice by elucidating the relationship between ownership structure and financial performance, offering valuable insights for optimizing ownership compositions in the insurance industry. This understanding aids management in making informed decisions regarding the ideal mix of ownership structures, which directly impacts overall organizational performance. Improved corporate governance, particularly concerning managerial and institutional ownership, ensures efficient resource utilization as these stakeholders pursue their respective interests. Furthermore, foreign investors contribute essential expertise that enhances management oversight and operational efficiency. By addressing these dynamics, the study supports management in fostering effective governance

ST. PAUL'S UNIVERSITY

frameworks that align stakeholder interests with organizational objectives, thereby enhancing competitiveness and sustainability within the insurance sector.

The findings from this study provide valuable insights to a wide range of stakeholders, including investors, policymakers, and regulators such as the Insurance Regulatory Authority (IRA). These insights will be particularly beneficial for policymakers seeking to strengthen corporate governance practices, a critical aspect of effective management in the corporate sector. By offering essential input for policy interventions, the study aims to contribute to the development of enhanced frameworks and guidelines for safeguarding investor interests and improving ownership structure governance. This proactive approach not only supports policymakers in making informed decisions but also fosters a conducive environment for sustainable business practices within the insurance industry. The implications of the findings extend beyond theoretical insights, aiming to foster practical improvements in governance standards that can enhance trust, transparency, and long-term stability in corporate operations.

1.6 Scope of the Study

The principal focus of this empirical inquiry is to ascertain the nexus among ownership structure, size and financial performance of insurance companies in Kenya. The study employed longitudinal dataset from 56 insurance firms, which had a complete data during the study period. The insurance firms employed in this empirical investigation are the ones that are locally or foreign registered firms. The firm-level yearly data was obtained from insurance firms that have been in existence from 2018 to 2022 using audited financial reports. To measure variables, ownership structure was represented by managerial, institutional as well as foreign ownership; size was captured by natural log of total assets while performance was measured by ROA.

1.7 Limitation of the Study

The researcher anticipated several challenges that could potentially impact the effective execution of this study. Firstly, the study focuses exclusively on insurance firms, which may limit the generalizability of its findings to other sectors; however, these insights could be applicable to other industries involved in financial services. This empirical investigation predominantly relies on quantitative data sourced from secondary sources within the insurance sector context. Consequently, the study overlooks the potential benefits that qualitative data could provide. Moreover, due to the longitudinal nature of

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the study, which involved data collection over a period of at least five years, the process was not only time-consuming but also incurred significant costs.

Furthermore, the study's reliance on secondary data introduces additional limitations. While quantitative data offers statistical rigor and breadth, it may lack the depth and subtle insights that qualitative methods can provide. This methodological choice could potentially restrict the exploration of intricate dynamics within ownership structure and financial performance. Despite these limitations, the study aims to mitigate these challenges through robust data analysis techniques and by providing transparent reporting of its methodology and findings.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section delves into the foundational theories that frame the study, elucidating how ownership structure, firm size, and financial performance are linked. Chapter two comprehensively reviews pertinent literature from global, regional, and local perspectives aligned with the study objectives. It synthesizes empirical findings and identifies research gaps to provide a clear overview of the current state of knowledge. Additionally, the section presents a conceptual framework that guides the study's approach and theoretical underpinnings.

2.2 Theoretical Framework

This study is anchored on three relevant theories, namely: agency, stewardship and stakeholder. These theories play a critical role is explicating the study variables.

2.2.1 Agency Theory

Proposed by Jensen and Meckling (1976) and later refined by Fama and Jensen (1983), agency theory is one of the most widely applied theories in finance literature, particularly concerning the relationship between ownership structure and financial performance. According to agency theory, agency problems are exacerbated by information asymmetry between managers and proprietors (Shawtari, 2018). Managers are typically incentivized to act opportunistically to satisfy their own self-serving interests, but they may exploit shareholders' main interests on occasion (Alexiou, 2021). These opportunistic tendencies may persuade businesses to account for their revenues with less transparency. According to Bataineh (2021), agency theory concerns are one of the primary motivators for ownership structure decisions. More often than not, it is interpreted as the starting point for any corporate governance mechanism. According to Gonzalez (2017), businesses have diverse ownership structures with extensive stakes in the management decisions.

According to Alabdullah (2018), the agency problem exists equally among shareholders. According to the expropriation hypothesis (Erin, 2017), significant shareholders are generally capable of abusing their substantial influence in the firm so as to abuse corporate resources and thereby harm the firm's overall efficiency. The

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expropriation may be monetary, such as excessive salaries and personal consumption at the expense of the firm, or non-monetary, such as unfair related party transactions, i.e., selling the company's products to firms owned by the controlling shareholder at prices below the prevailing market price and/or purchasing at prices above the prevailing market price (Bayero & Bambale, 2017). In contrast, Alsamady (2018) suggests that if management owns sufficient shares to identify themselves as significant shareholders, they may have sufficient power and motivation to disregard both shareholders and market monitoring instruments in order to secure their salary and employment, even if they are no longer competent.

Agency theory is highly relevant in explaining the ownership structure, size, and financial performance of insurance firms. It posits that conflicts of interest between principals (owners) and agents (managers) can impact firm performance. In insurance firms, diverse ownership structures, including public, mutual, and private, influence the alignment of interests between owners and managers. Large firms may face increased agency costs due to more complex hierarchies and the greater difficulty of monitoring managerial actions. Conversely, smaller firms might benefit from closer owner-manager relationships, reducing agency conflicts. The theory suggests that effective governance mechanisms, such as performance-based incentives and stringent monitoring, can mitigate these conflicts, enhancing financial performance. Therefore, understanding the dynamics of agency theory helps explain how different ownership structures and firm sizes affect the strategic decisions and financial outcomes of insurance firms.

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Agency theory, while pivotal in understanding the relationship between principals and agents, faces significant critiques. Mamatzakis and Xu (2021) argue that the heightened managerial monitoring it prescribes can stifle creativity and innovation in managerial investment, potentially hindering long-term growth and adaptability. This rigorous oversight may lead to risk-averse behaviors that favor short-term gains over innovative strategies. Furthermore, Lin and Fu (2017) criticized the stakeholder theory, arguing that it is often contrasted with agency theory due to its oversimplification of social interactions as mere contractual obligations, overlooking the complexities of authority and social relationships. This critique highlights agency theory's limitations in addressing the complex, relational aspects of organizational dynamics and its potential to undermine the broader, more holistic understanding of managerial effectiveness and

firm performance. Thus, while agency theory provides valuable insights into ownership structure and performance, it may fall short in contexts where creativity, innovation, and intricate social relationships are crucial.

2.2.2 Stewardship Theory

Pioneered by Donaldson and Davis (1991), stewardship theory has been extensively applied in the field of sociology and psychology. The theory postulates that the owners and steward management with greater controlling interest are solely motivated by instituting most favorable investment choices which are valuable to corporate entities (Khan & Zahid, 2020). Furthermore, stewardship theory delineates the association between ownership and management in productivity enhancement due to maximization of steward's utility functions. The theory suggests that a steward maximizes and safeguards shareholders wealth via corporate performance (Shabbir, 2028). Notably, stewards are firm's managers and executives discharging duties on behalf of the shareholders, safeguards and make profits for the shareholders. Similarly, stewards are motivated and satisfied when corporate success is achieved (Yang & Shyu, 2019). The stewardship theory emphasizes on the position of executives or workforce to act more independently in order to optimize the shareholders' returns (Liu et al., 2019).

Iwasaki and Mizobata (2018) argue that while agency theory emphasizes the use of control mechanisms to safeguard against personal interests and managerial opportunism, stewardship theory promotes trust and management behavior that align with the firm's objectives. Similarly, stakeholder theory posits that controlling shareholders and managers act as reliable administrators, focusing on the shared benefits of the organization (Almahrog, 2018). Ye (2019) extends this view, asserting that stewards believe shareholders are justifiably entitled to a fair share of the firm's profits, thereby optimizing both shareholder wealth and the stewards' share. Consequently, the alignment of interests between managers, stockholders enhance corporate productivity (Alhababsah, 2019). This alignment fosters a collaborative environment where all parties are motivated to work towards the firm's success, thus maximizing overall performance and productivity.

Stewardship theory is highly relevant in explaining the ownership structure, size, and financial performance of insurance firms by emphasizing the natural alignment of interests between managers and owners. Unlike agency theory, which focuses on

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potential conflicts and the need for oversight, stewardship theory suggests that managers act as stewards of the company, prioritizing long-term success and owner interests. In insurance firms with a stewardship-oriented ownership structure, trust and intrinsic motivation drive managerial behavior, resulting in better alignment of goals and improved financial performance. Larger insurance firms can benefit from a stewardship culture by fostering commitment and a shared vision among managers, mitigating risks associated with complex hierarchies. Additionally, the stewardship approach encourages managers to balance short-term gains with long-term stability, which is crucial for the risk-sensitive insurance industry. Therefore, stewardship theory offers a valuable perspective on how ownership structures and firm size influence managerial behavior and financial outcomes in insurance firms.

However, a longstanding critique of stewardship theory is its assumption that management is primarily motivated by intrinsic rewards such as personal growth and achievement, which are inherently difficult to quantify. Unlike agency theory, which relies on extrinsic motivators like shares, salaries, and bonuses that are easily measurable and tied to performance metrics, stewardship theory's focus on intrinsic motivations lacks clear, objective benchmarks for assessing effectiveness. This makes it challenging to design and implement performance management systems that adequately capture and reward the supposed intrinsic drivers of managerial behavior. Additionally, the variability in individual values and motivations can lead to inconsistent applications and outcomes, undermining the theory's practical utility. Critics argue that without quantifiable measures, stewardship theory may fall short in providing a robust framework for ensuring alignment between managerial actions and organizational goals, particularly in complex and competitive industries like insurance.

ST. PAUL'S UNIVERSITY

2.2.3 Stakeholder Theory

Stakeholder theory was proposed by Freeman (1984) and has been applied in many disciplines. Stakeholder theory integrated managerial accountability to a variety of stakeholders. It postulates that organizations management has relationships networks to serve an extended web of stakeholders such as the employees, suppliers, consumers, and community and business partners (Al-Saeed, 2018). Stakeholder theory posits that the interests of a variety of stakeholders have intrinsic value, and no set of interests is assumed to dominate the others, thereby becoming significant in the decision-making

process. As a result, all the stakeholders should be treated fairly if an organization is to succeed at all.

According to Wang and Shailer (2018), management should address the diverse requirements of numerous stakeholder groups with tact. Therefore, working to aid various stakeholders to make appropriate decision enhances organizations financial performance. Alkurdi and Mardini (2020) argues that corporate governance aspects such as ownership structure play a key role in efficiently managing corporate resources, by minimizing management expropriation resources thus helping stakeholders to obtain benefits. Based on the objective of financial success, stakeholder theory grants stakeholders formal and binding control over corporate activities and, more specifically, over the board of directors (Alhaji & Sani, 2018). Gonzales (2017) suggests that stakeholder offer a more all-inclusive interpretation of how ownership structure influences financial performance. Owing to stakeholders' legitimacy and authority, managers often respond to pressures emanating from diverse stakeholders (Panda & Leepsa, 2017).

Stakeholder theory extends the agency theory point of view of optimizing shareholders interest over economic value maximization for equity holders solely (Abu-Qadan & Suwaidan, 2019). Panda (2019) classifies stakeholders into external and internal variants. External stakeholders comprise of suppliers, investors, government and customers in general whereas internal stakeholders comprise of the board of directors, management and employees (Lin & Fu, 2017). Consequently, both internal and external stakeholders have an impact on the financial performance of an organization. Stakeholder theory is anchored on the premise that no stakeholder has superior priority over other stakeholders (Erin, 2017). Like agency theory, stakeholder theory converges the interests of agents and stakeholders and in order to obtain goal congruence.

Stakeholder theory provides a robust framework for examining the relationship among ownership structure, size, and performance in organizations. It posits that a firm's success is contingent on its ability to manage and balance the interests of various stakeholders, including shareholders, employees, customers, suppliers, and the community. In terms of ownership structure, firms with diverse stakeholder representation are likely to adopt more inclusive and sustainable business practices, potentially enhancing long-term performance. The theory suggests that larger firms,

ST. PAUL'S UNIVERSITY

with more complex stakeholder networks, must effectively engage and satisfy a broader array of interests to maintain stability and growth. This engagement can lead to improved performance through enhanced reputation, customer loyalty, and employee satisfaction. Conversely, smaller firms might benefit from closer, more manageable stakeholder relationships, fostering agility and responsiveness. By focusing on the interconnectedness of stakeholder interests, stakeholder theory underscores that the alignment and effective management of these interests are crucial for optimizing performance, regardless of the firm's size or ownership structure.

However, stakeholder theory has faced significant criticism for its implication that corporate executives must address the needs of a wide array of stakeholders, potentially diluting their ability to execute focused corporate strategies and policies. Critics argue that this broad responsibility can lead to conflicting interests, making it challenging for management to prioritize effectively. Kautsar (2019) points out that while management must consider equity holders as key stakeholders, treating them as just one of many groups can undermine the primary objective of maximizing shareholder value. This inclusive approach may result in a lack of clear strategic direction, as executives attempt to balance often competing demands from various stakeholders, such as employees, customers, suppliers, and the community. The theory's emphasis on balancing these diverse interests can lead to inefficiencies and decision-making paralysis, ultimately affecting the firm's financial performance and strategic coherence. Consequently, while stakeholder theory promotes ethical and inclusive business practices, its practical implementation may impede decisive and efficient management, challenging the traditional focus on shareholder primacy.

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2.3 Empirical Review

The empirical literature review was conducted to fulfill the research objectives, encompassing a thorough examination of previous studies that aligned with the study's aims. It involved assessing how previous research addressed the objectives, including the measurement of variables, estimation techniques employed, and evaluations conducted to identify any research gaps. By synthesizing existing empirical studies, the review aimed to build on prior knowledge and methodologies, identifying strengths and weaknesses in current approaches to the topic. This process enabled researchers to refine their research questions, select appropriate variables, and determine suitable estimation methods for their study. Moreover, the evaluation of existing literature

provided insights into areas where further research is needed, highlighting opportunities for new contributions and advancements in the field.

2.3.1 Managerial Ownership and Financial Performance

Alhassan and Manuda's (2020) study used size as a moderator to analyze how ownership structure affected the financial performance of Nigerian listed companies. Using longitudinal data obtained from 38 companies quoted at the Nigerian Stock Exchange (NSE) during the fiscal period 2010-2019, the study applied univariate analysis, correlation, and multivariate regression technique via random effect model. To measure variables, ownership structure was captured represented by managerial ownership, ownership concentration as well as institutional ownership. Book value per share was used to calculate a firm's financial performance as an outcome variable, and the natural log of its total assets was used to approximate its size. The results showed that ownership concentration had a negative minor impact on financial performance whereas managerial and institutional aspects of ownership structure had a positive substantial impact. Furthermore, the relationship between ownership structure and financial performance was strengthened by size growth. However, the study ignored the state ownership dimension which is a significant dimension in the ownership structure.

In line with the conclusions made by Alkurdi and Mardini (2020), Dwaikatt and Queiri (2014) investigated the relationship between ownership structure and financial performance using panel data collected from a sample of 32 companies listed on the Palestinian stock exchange between 2008 and 2012. Ownership structure was operationalized using ownership concentration and managerial ownership whereas financial performance was represented by ROA and Tobin Q. The results of the ordinary least squares estimation method showed a stronger correlation between ownership concentration and financial performance, while management ownership showed a more substantial positive correlation. However, this study exclusively relied on cross-sectional dataset which represents a snapshot and longitudinal studies are vital in probing ownership structure-financial performance linkage over a period of time which often more reliable upshots.

Similarly, Zandii, et al. (2020) examined the relationship between ownership structure and firm performance in an empirical study. The sample utilized was drawn from 201 firms listed at Malaysian Stock Exchange. Managerial and institutional ownership were

ST. PAUL'S UNIVERSITY

employed as the measures of ownership structure whereas Tobin Q was adopted as a proxy of financial performance. The estimation results confirmed that ownership structure negatively influences financial performance. The estimation was based on pooled ordinary least squares after conducting Lagrangian LM test. Since this study only considered one variable, size, which moderates the relationship between ownership structure and financial success, was not taken into account. The outcome of this study is in tandem with those of Almahrogi (2018).

A study by Alkurdi et al. (2021) assessed the relationship between ownership structure and financial performance in contrast to the findings reported by Al-Janadi (2021) and Rhou and Singal (2019). The sample employed consisted of 61 Jordanian listed firms and longitudinal dataset was collected during the period 2012 -2018. The findings based on fixed effect model confirmed that ownership structure significantly and positively impacted financial performance. Ownership structure was measured by institutional, concentration and managerial dimensions whereas financial performance was captured by ROA and Tobin Q. The indirect association between ownership structure and financial performance is explained by a continuum of control variables, such as size, which this study chose to ignore.

2.3.2 Institutional Ownership and Financial Performance

Ammari and Terzi (2022) assessed the relationship between the ownership structure, dividend policy, and financial performance. Ownership concentration, institutional ownership, and management ownership were used as stand-ins for ownership structure; dividend policy was represented by dividend per share; and financial performance was represented by ROA and ROA. The study analyzed data from a sample of 375 firm-year observations made between 1996 and 2020 and focused on a changing economy, namely Tunisia. A bootstrap panel Granger non-causality test, which takes into account cross-sectional dependence and slope heterogeneity issues, was used in the study for estimate reasons. The results confirmed a significant causal relationship between the ownership structure, dividend policy, and financial performance in both a bidirectional and unidirectional manner. This study's primary flaw is the frequent extrapolation of its conclusions due to the limited sample size of only 15 businesses. The upshots of the reviewed study significantly diverge from those of Alhababsah (2019).

ST. PAUL'S UNIVERSITY

Likewise, Ogabo et al. (2021) investigated the relationship between ownership structure and financial performance while using size as a moderator using the Bloomberg longitudinal panel dataset obtained from 48 Financial Times Stock Exchange (FTSE) firms in the United Kingdom covering the period 2008-2018. Ownership structure was proxied by institutional ownership, managerial ownership as well as ownership concentration whereas size was measured by the number of board members. Furthermore, financial performance was captured by three indicators, namely: ROE, ROA and Tobin Q. The findings based on fixed affect model suggest that ownership structure positively and significantly influence financial performance size strengthened the proposed linkage. However, this study focused on public companies and disregarded private firms which are strong drivers of economic development.

In addition to the findings provided by Wen (2017), a study by Dakhalh et al. (2019) used panel data collected from 180 listed companies between 2009 and 2017 to assess the impact of ownership structure on financial performance. The results showed a substantial positive relationship between ownership structure (measured by managerial, institutional, and state ownership) and financial performance (expressed by Tobin Q). To analyze the panel data, the study employed fixed effect model as an econometric strategy for estimation purposes. The size, which describes the intensity and direction of the association between ownership structure and financial success, was not taken into account in the study, which may have had an impact.

2.3.3 Foreign Ownership and Financial Performance

Rashid (2019) used the pooled ordinary least squares technique to investigate the direct and indirect effects of the ownership structure on financial performance while looking at 527 annual reports of listed Bangladeshi companies for the years 2015 to 2017. The findings suggested that managerial and foreign ownership showed a positive significant effect on both market and accounting-based indicators of financial performance (ROA and Tobin Q), whereas institutional ownership revealed significantly positive effect only on ROA (accounting-based measure). Regarding the mediating effect, the findings confirmed that board independence and board size (measures of board characteristics), firm size and board independence partially mediated the nexus between ownership structure and financial performance. However, the major shortcoming of this empirical investigation is that it only focused on 3 years data in investigating the proposed

ST. PAUL'S UNIVERSITY

relationship among the variables despite panel data studies recommending a minimum of 4 years.

Hossain, Sultan, and Ahmed (2021) investigated the relationship between ownership structure and financial performance using longitudinal data collected from 15 pharmaceutical companies registered at the Dhaka Stock Exchange during the fiscal years of 2012 and 2020. ROE was used to measure financial performance while institutional, foreign, and managerial factors represented ownership structure. A significant positive relationship between ownership structure and financial performance was found using dynamic panel data. However, the study utilized a small sample size as well as focusing only on one sector and findings may not be generalisable especially to other sectors of the economy. The upshots of this empirical study converge with those of Panda and Leepsa (2017), Shabbir (2018) and Vu et al. (2018) who established a positive association between diverse dimensions of ownership structure and financial performance.

To ascertain the relationship between structure and financial performance, Aonin and Handan (2018) utilized panel dataset of 172 Saudi Arabian firms during the period 2013-2014. Four dimensions of ownership structure (foreign, family, institutional and managerial) and ROA were used as metrics for operationalizing the ownership structure and financial performance respectively. On the basis of fixed affect model, ownership structure was found to significantly and positively influence financial performance. However, this study collected longitudinal dataset for two years despite the investigation being panel data which recommends a minimum of four years hence impairing the attainment of the credible findings.

ST. PAUL'S UNIVERSITY

2.3.4 Ownership Structure, Size and Financial Performance

While employing fixed effect and standard errors estimation, Laporsek et al. (2021) evaluated ownership structure-financial performance relationship using firm-level yearly report for the entire joint stock firms in Slovenia for the fiscal year 2005-2007. Size and leverage were employed as control variables. Two indicators were used to operationalize ownership structure: state and foreign ownership; total assets were used to assess size; debt-to-equity ratio served as a proxy for leverage; and ROA served as a measure of financial performance. Empirical findings suggest that state owned firms are less profitable compared to privately owned firms. Furthermore, there was no

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significant linkage between ownership concentration and financial performance. However, this study used linked indicators of ownership structure (state and foreign) and financial performance (ROA) and ignored a continuum of other indicators which have extensively been employed. The findings of this study are consistent with those of Iwasaki and Mizobata (2018).

A study by Panda (2019) probed the linkage between financial performance and ownership structure based on a 6year financial data of 105 firms listed at the Bombay Stock Exchange during the period 2014-2016. This empirical inquiry applied both static (fixed effect) and dynamic (2-step General Method of Moments) models to test the hypotheses. Ownership concentration, institutional ownership and individual ownership were used as a measure of ownership structure while size which acted as a moderator was represented by total assets. Additionally, market capitalization and ROA were employed as measures of financial performance. The results showed that ownership structure and size had no discernible impact on financial performance. Nevertheless, this study used a short time frame 3years despite it being a panel study where the recommended period of time is usually a minimum of 4 years. The findings of this study mirror those of Wang and Sheiler (2018) who disaffirmed the moderating role of size on the relationship between ownership structure and financial performance.

Using cross-sectional dataset sourced from a sample of 7 Chinese A-Share listed Hotels, Peng, Qui, Lin and Au (2021) examined the ownership structure's influence on performance. With the help of ordinary least squares estimation technique, the study established that ownership structure (measured by managerial, state and institutional ownership) positively influences financial performance (represented by ROA). Furthermore, the relationship between ownership structure and financial performance was mitigated by size, which was determined by total assets. However, because only seven hospitality-related businesses were included in the study's sample size, it was difficult to generalize the study's findings. The results of this study significantly differ from those published by Bhutta and Hizmo in 2021.

ST. PAUL'S UNIVERSITY

Table 1: Summary of empirical Literature and Research Gaps

Author	Focus	Methodology	Findings	Gaps	How to Address the Gap
Alhassan and Manuda (2020)	Ownership structure and financial performance	Regression analysis	The findings showed that managerial and institutional ownership structure had positive significant influence on financial performance while ownership concentration had a negative insignificant influence on financial performance. Furthermore, moderated the linkage between ownership structure and financial performance	The study ignored the state ownership dimension which is a significant dimension in the ownership structure.	The study included state ownership as a dimension to provide a more comprehensive analysis of ownership structure.
Dwaikatt and Queiri (2014)	Ownership structure and financial performance	Ordinary Least Squares (OLS)	Positive relationship between ownership structure and financial performance	The study exclusively relied on cross-sectional dataset which represents a snapshot and longitudinal studies are vital for probing ownership structure-financial performance linkage over a period of time which often gives more reliable results	The study employed a longitudinal studies should be conducted to observe changes over time and provide more reliable results
Ogabo, Ogar and Nuipoko (2021)	Ownership structure and financial performance while employing	Fixed effect model	Ownership structure positively and significantly influences financial performance while size strengthened the hypothesized linkage	However, this study focused on public companies and disregarded private firms which are strong drivers of economic development.	Future research should examine both public and private firms to enhance understanding of the broader economic impact.

ST. PAUL'S UNIVERSITY

	size as a moderator				
Dakhallh, Mohdshid and Abdulla (2019)	Effect of ownership structure on financial performance	Fixed effect model	The findings indicated that ownership structure had a positive significant effect on financial performance	The study ignored the potential effect of the control variables such as the size which explains the strength and the direction of the relationship between ownership structure and financial performance.	The study incorporateed control variables in future studies to provide a clearer understanding of the relationship between ownership structure and financial performance.
Rashid (2019)	Influence of the ownership structure on financial performance.	Ordinary Least Squares (OLS)	The findings suggested that managerial and foreign ownership showed a positive significant effect on both market and accounting-based indicators of financial performance (ROA and Tobin Q), whereas institutional ownership revealed significantly positive effect only on ROA.	The study focused on 3 years data in investigating the proposed relationship among the variables despite panel data studies recommending a minimum of four years.	This research was conducted using a minimum of four years of data to validate findings and enhance the robustness of the results.
Hossain, Sultan and Ahmed (2021)	Ownership structure and financial performance	dynamic regression panel model	Significant positive linkage between ownership structure and financial performance.	The study utilized a small sample size as well as focusing only on one sector and findings may not be generalizable especially to other sectors of the economy.	The study expanded the sample size and include multiple sectors to improve the generalizability of the findings.
Laporsek, Dolenc and Stubej (2021)	Ownership structure and financial performance	Fixed effect and standard errors estimation model	State owned firms are less profitable compared to privately owned firms. Furthermore, there was no significant linkage	This study used linked indicators of ownership structure (state and foreign) and financial performance	The study considered a broader range of ownership structure indicators to provide a comprehensive

ST. PAUL'S UNIVERSITY

			between ownership concentration and financial performance.	(ROA) and ignored a continuum of other indicators which have extensively been employed.	analysis.
Panda (2019)	Ownership structure and financial performance	General Method of Moments (GMM)	The findings revealed no significant influence of ownership structure and size on financial performance.	Nevertheless, this study used a shorter time frame 3 years despite it being a panel study where the recommended period of time is usually a minimum of four years.	Employing a longer time frame (minimum of four years) in future studies to better capture the relationship dynamics over time.

ST. PAUL'S UNIVERSITY

2.4 Conceptual Framework

A conceptual framework serves as a visual representation of the relationships among key variables in a study, providing a roadmap that outlines the theoretical constructs and their connections. In this study, ownership structure was modeled as the independent variable, capturing the influence of different types of ownership on financial performance. Specifically, managerial ownership refers to shares held by a firm's managers or executives, which is aligns management's interests with those of shareholders, thus reducing agency conflicts. Institutional ownership refers to shares held by large institutions such as pension funds, mutual funds, or insurance companies, which can play a significant role in monitoring management decisions and ensuring better corporate governance. Foreign ownership, another key dimension, represents shares held by investors from outside the domestic market, which can contribute to firm performance through the transfer of knowledge, expertise, and international best practices. Each of these ownership types is linked to potential differences in control and oversight, which can influence strategic decision-making and financial outcomes.

Firm size, modeled as the moderator, is represented by total assets and reflects the scale and scope of the firm's operations. Larger firms often benefit from economies of scale, greater market power, and access to capital, which can influence the relationship between ownership structure and financial performance. The assumption is that firm size could either amplify or weaken the effect of ownership structure on performance, acting as a contingency factor. Financial performance, the dependent variable, is measured by Return on Assets (ROA), a widely used indicator that reflects how efficiently a company is using its assets to generate earnings. ROA provides insight into how well a firm's management is deploying its resources to create profitability. By measuring the conceptual relationships between ownership structure, firm size, and financial performance, this framework seeks to explore how these elements interact and impact the overall success of a firm.

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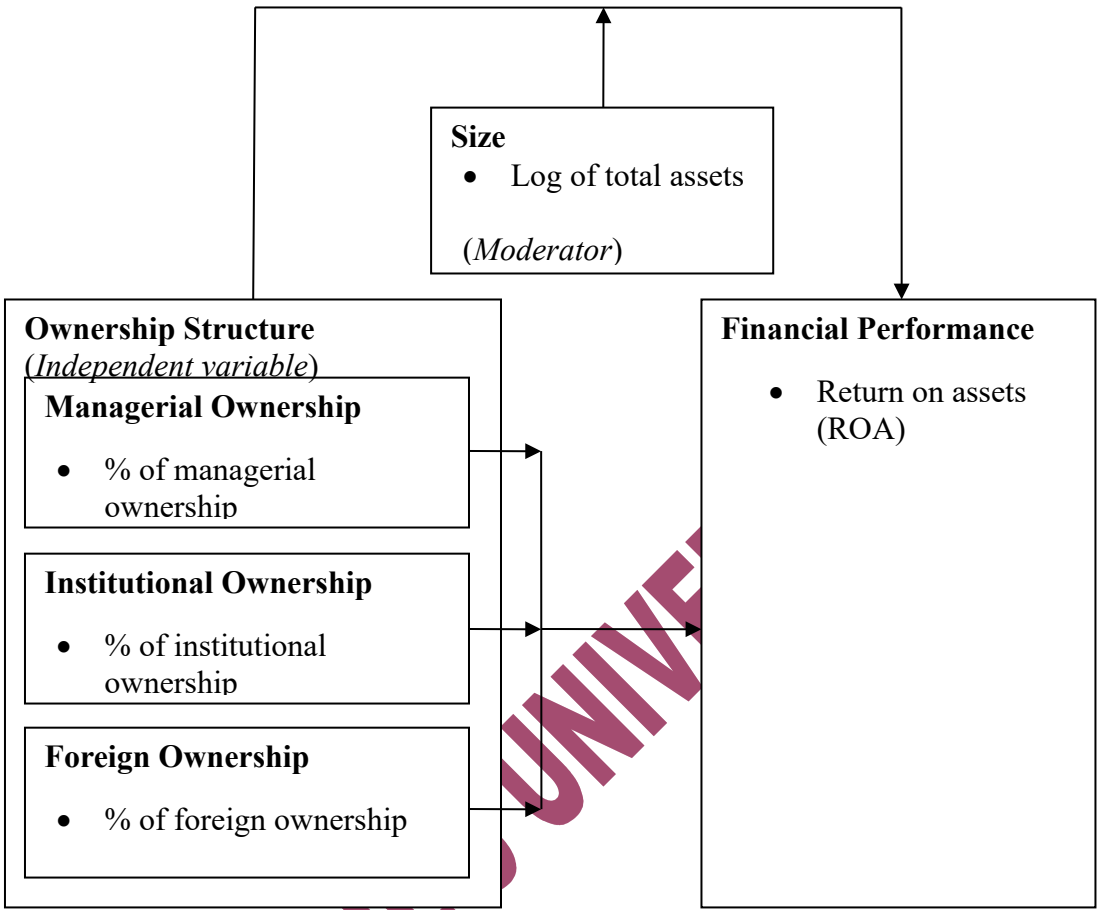


Figure 1: Conceptual Model

Source: Author (2023)

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three outlined the methodology adopted in the study, emphasizing the research design, population selection criteria, operationalization of variables into measurable indicators, diagnostic tests conducted to ensure data quality and reliability, methods employed for data collection from primary and secondary sources, and the comprehensive approach to data analysis, including statistical techniques utilized to analyze relationships and test hypotheses.

3.2 Research Design

Research design serves as the foundational roadmap that guides the operationalization, data gathering, and analysis necessary for researchers to address significant research questions (Zikmund, 2013). It plays a crucial role in structuring the entire research process, ensuring that the methods chosen are appropriate for the specific objectives and hypotheses under investigation. The research design ensures that the methodology aligns with the research objectives, allowing for systematic data collection and rigorous analysis. By selecting an appropriate design, researchers can effectively structure their study to produce reliable and valid results that contribute to the body of knowledge in their respective disciplines. Moreover, a well-defined research design enhances the credibility and reproducibility of findings, facilitating comparisons across studies and promoting evidence-based decision-making in academia and practical applications alike.

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Research designs can broadly be categorized into three main clusters: descriptive, exploratory, or causal (Kothari, 2018). Descriptive research design focuses on investigating observable facts within their natural settings, involving quantification, categorization, analysis, comparison, and interpretation of data. This type of design is invaluable for providing a detailed understanding of a phenomenon or situation, offering insights into existing conditions and relationships among variables. Exploratory research design, on the other hand, is geared towards uncovering new insights, generating novel ideas, and enhancing understanding of a phenomenon where little prior knowledge exists. It is particularly useful in preliminary stages of research when the aim is to gain deeper insights into the nature of a problem or explore potential

avenues for further investigation. Causal research design seeks to establish cause-and-effect relationships between variables, aiming to explain why certain phenomena occur and predicting future occurrences. This type of design is crucial for testing hypotheses and determining the impact of one variable on another, thereby contributing to theoretical and practical advancements in understanding complex relationships within various fields of study.

This study adopts an explanatory research design, chosen for its capacity to establish causal relationships between variables. The justification for selecting an explanatory design lies in its ability to elucidate the mechanisms underlying the relationships being investigated. By employing this design, researchers can identify and clarify the "how" and "why" behind the impact of ownership structure on firm performance. This approach allows for a more detailed exploration of the variables involved, enabling researchers to explain not just the existence of relationships but also the causal pathways that link these variables over time.

Furthermore, an explanatory design enhances the ability to test hypotheses rigorously and contributes to theory development by providing insights into the dynamics of the phenomena studied. By focusing on the causal relationships, this approach supports the formulation of practical recommendations for stakeholders, as it provides a deeper understanding of how different aspects of ownership structure can influence firm performance. Ultimately, by adopting an explanatory research design, this study aims to deliver robust findings that contribute significantly to the field's knowledge base, informing both academic discourse and practical decision-making in organizational settings.

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3.3 Target Population

The research targeted all 56 insurance firms operating in Kenya, opting for a comprehensive census survey to include every firm in the analysis. This approach aimed to provide a thorough and detailed understanding of the industry. By encompassing the entire population of insurance companies, the study ensured no segment of the industry was overlooked, facilitating a robust examination of ownership structures, operational strategies, and financial performance across the sector.

Insurance companies were chosen as the unit of analysis due to the significant diversity in ownership structures observed within these firms. This diversity offered a broad

spectrum of perspectives and strategies, enriching the study's insights into the industry's dynamics. Furthermore, the varying sizes and financial performances among these firms presented opportunities to identify nuanced patterns and trends that might not have been evident in a more homogeneous sample. This comprehensive approach enabled the research to uncover underlying factors influencing firm performance and governance practices, contributing to a comprehensive understanding of the insurance landscape in Kenya.

3.4 Data Collection

The data collection procedure entailed data sources, data collection procedure and data collection tool.

3.4.1 Data Sources

The study utilized secondary data sourced from audited financial reports and publications from the Insurance Regulatory Authority (IRA). Audited financial reports provide reliable and verified information about various insurance firms, including crucial metrics related to ownership structure, size, and financial performance. The IRA also publishes comprehensive reports that offer relevant statistics and insights into the insurance industry in Kenya, detailing ownership structures and regulatory compliance. These sources were chosen for their credibility and accessibility, enabling a thorough examination of the relationships between the targeted variables.

3.4.2 Data Collection Procedure

The data collection procedure involved several systematic steps to ensure adherence to ethical standards and regulatory requirements. Initially, a research permit was obtained from the National Commission for Science, Technology, and Innovation (NACOSTI) to comply with the necessary research guidelines. Additionally, the procedures aligned with the standards set by the Institutional Scientific and Ethical Research Council (ISERC) to uphold research integrity and quality. Following the approval, the research focused on identifying specific data points related to ownership structure, firm size, and financial performance for the period from 2018 to 2022. This timeframe was selected to support a longitudinal study that could reveal trends and patterns over time. Data was then systematically retrieved from the identified sources, ensuring that each data entry was cross-verified against the original documents for accuracy.

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3.4.3 Data Collection Tool

To facilitate the organization and analysis of the collected data, a data collection sheet was developed. This sheet included dedicated columns for key variables: ownership structure, size, and financial performance indicators. The data collection sheet was structured to capture information for each year from 2018 to 2022, allowing for longitudinal comparisons and trend analysis. This tool ensured that the data was systematically recorded and easily accessible for subsequent analysis, contributing to the overall robustness of the study.

3.5 Diagnostic Tests

The diagnostic evaluates the conformism to assumptions of linear panel regression. These assumptions include encompasses normality, linearity, homoscedasticity, multicollinearity, unit root and serial correlation and model specification test. If the dataset employed do not conform to any of the tests of linear panel regression, the data will be transformed using logs, reciprocals or square roots.

The normality test checks whether the residuals in a regression model follow a normal distribution. This assumption is important for many parametric statistical methods, as it ensures that the residuals are symmetrically distributed around the mean, forming a bell-shaped curve. This is typically tested using the Skewness/Kurtosis test, where a p-value greater than 0.05 signifies that the data are normally distributed. If the normality assumption is violated, the model estimates might be inefficient or biased, which can compromise statistical inference. To address this issue, data transformations such as logarithms or square roots may be applied to normalize the distribution, or non-parametric methods may be considered when transformation is ineffective.

The linearity assumption ensures that the dependent variable is a linear function of the independent variables and the error term. It is tested using ANOVA, where an α-value less than 0.05 supports the presence of a linear relationship. Linearity is crucial for generating accurate predictions, as non-linear relationships can lead to biased results. When the assumption of linearity is violated, incorporating polynomial or interaction terms in the model may help capture the non-linear relationships. Alternatively, non-linear regression techniques or data transformations can be used to restore linearity between variables.

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Homoscedasticity refers to the constant variance of residuals across different values of the predictor variables. The Breusch-Pagan test is commonly employed to check for homoscedasticity, with a p-value greater than 0.05 indicating that the assumption is met. If this assumption is violated, known as heteroscedasticity, the model may produce biased standard errors, leading to unreliable hypothesis tests. Remedies include using robust standard errors, transforming the dependent variable, or switching to generalized least squares (GLS) to correct the variance structure.

Multicollinearity occurs when two or more independent variables in a regression model are highly correlated, leading to inflated standard errors and making it difficult to isolate the individual effects of each predictor. The Variance Inflation Factor (VIF) is used to detect multicollinearity, with values greater than 10 indicating a serious issue. When multicollinearity is present, dropping one of the correlated variables or using techniques such as ridge regression or principal component analysis (PCA) can mitigate its effects. These methods help reduce the interdependence between explanatory variables and stabilize the regression coefficients.

The unit root test assesses whether a time series is stationary, meaning its statistical properties do not change over time. The Hadri LM test is often used for this purpose, where a p-value less than 0.05 suggests the presence of a unit root, indicating non-stationarity. Non-stationary data can lead to spurious regression results, making it difficult to interpret the relationships between variables. To address non-stationarity, the data can be differenced, transforming the series into a stationary one. Alternatively, models like ARIMA or co-integration techniques can be applied to manage non-stationary time series data.

Serial correlation occurs when residuals in a regression model are correlated with each other, often observed in time series data. This violates the assumption that residuals should be independent of one another. The Durbin-Watson test is used to detect serial correlation, with values between 1.5 and 2.2 suggesting no serial correlation. If serial correlation is detected, autoregressive models or adding lagged variables to the regression can address the issue. In some cases, using Newey-West standard errors can correct for autocorrelation without modifying the model structure.

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The model specification test helps in choosing between random effects, fixed effects, or pooled ordinary least squares (OLS) models in panel data analysis. The Hausman test is typically used to make this decision, with a p-value less than 0.05 indicating that the fixed effect model is more appropriate. If the p-value is greater than 0.05, a random effect model is recommended. Choosing the correct model ensures that the individual differences between cross-sectional units are properly accounted for, leading to more accurate parameter estimates.

3.6 Data Analysis and Presentation

To analyze gathered data, secondary data was edited for wholeness and coded with the help of Stata 14 to ease the estimation process. Data estimation was performed using descriptive and inferential statistics. Descriptive statistics such as standard deviation, mean, kurtosis and skewness was computed so as to examine the relationship among ownership structure, size and financial performance. Regression analysis was used assess the link between the study variables Panel data regression models was used to examine the relationship between various study variables. Panel data is preferred since it is multidimensional and captures both the cross-sectional and longitudinal aspects of a phenomenon. Panel data also allows use of specific individual components in the model thus making it possible to manage heterogeneity across individual subjects.

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To estimate the relationship between ownership structure and financial performance, the following panel regression model was employed as stated below;

$$FP_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} + \beta_3 FO_{it} + \varepsilon_{it} \quad \ldots\ldots 3.1$$

Where: FP = financial performance; β_0 = regression constant; $\beta_{1\text{-}3}$ = coefficients; $MO_{(it)}$ = managerial ownership; $IO_{(it)}$ = institutional ownership; $FO_{(it)}$ = foreign ownership; ε_{it} is the error term.

Moderation in statistical analysis refers to how a third variable (moderator) affects the relationship between two other variables (predictor and outcome). In regression analysis, moderation is indicated when the beta coefficient of the interaction term between the predictor and moderator variables is statistically significant (Kothari, 2018). This suggests that the effect of the predictor variable on the outcome variable varies depending on different levels or conditions of the moderator variable. For example, in the context of ownership structure and firm performance, a significant

interaction term (e.g., ownership structure × firm size) implies that firm size moderates how ownership structure influences FP.

To establish the moderating influence of size on the relationship between ownership structure and financial performance, the following moderation model was applied as stated below;

$$FP_{it} = \beta_0 + \beta_1 OS_{it} + \beta_2 SZit + \beta_3 (OS*SZ)_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.2$$

Where: FP = financial performance; β_0 = regression constant; β_{1-3} = coefficients; SZ_{it} = size of firm; $(MO*SZ)_{it}$ = interaction between ownership structure and size of firm. ε_{it} is the error term.

3.7 Ethical Considerations

The study adhered to ethical guidelines that governed the research process. Before gathering data from relevant sources, the researcher obtained a research permit from NACOSTI (National Commission for Science, Technology and Innovation) to ensure compliance with regulatory requirements. Data were meticulously sourced from audited financial reports to guarantee authenticity and reliability. Throughout the study, there was a commitment to integrity, with no manipulation of data to preconceive outcomes. The academic contributions of other scholars were duly acknowledged and cited, thereby respecting intellectual property and contributing to the scholarly discourse. These ethical practices upheld the study's integrity and contributed to the advancement of knowledge in the field.

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CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This section presents the study's findings through descriptive statistics and diagnostic tests. Descriptive statistics summarize data on ownership structure, firm size, and financial performance using measures such as mean, standard deviation, and coefficient of variation. Additionally, a series of diagnostic tests specific to longitudinal datasets were conducted, including assessments for normality, multicollinearity, unit root presence, homoscedasticity, serial correlation, and Hausman tests. Finally, correlation analysis was employed to explore the relationships between variables, providing insights into the strength and direction of their associations.

4.2 Descriptive Statistics

To visualize the panel data, the study utilized descriptive statistics geared towards making presentations straightforward and more meaningful interpretations. The descriptive statistics was in form of mean, standard deviation and coefficient of variation.

Table 2: Descriptive Statistics Results

Statistics	FP	MO	FO	IO	SZ
M	0.021	0.083	0.064	0.168	9.572
SD	0.009	0.192	0.160	0.270	0.554
Min	-0.032	0	0	0	8.381
Max	0.034	0.700	0.711	0.960	10.903
CV	0.420	2.310	2.514	1.616	0.058

Source: Study Data (2023)

The descriptive statistics in Table 2 provide an overview of key variables: financial performance, managerial ownership, foreign ownership, institutional ownership, and firm size based on data collected for the study conducted in 2023. Financial performance exhibits a mean (M) of 0.021 with a standard deviation (SD) of 0.009, indicating a relatively low variability around the mean. The minimum and maximum values of FP are -0.032 and 0.034, respectively, suggesting a narrow range of observed performance outcomes. The coefficient of variation (CV) for financial performance is 0.420, highlighting moderate variability relative to its mean.

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Managerial ownership shows a mean of 0.083 with a higher SD of 0.192, indicating considerable variability in ownership percentages among managers across the sample. Foreign ownership and institutional ownership demonstrate means of 0.064 and 0.168, respectively, with SDs of 0.160 and 0.270, reflecting similar levels of variability. Both foreign ownership and institutional ownership also exhibit relatively higher coefficients of variation (foreign ownership: 2.514; institutional ownership: 1.616), indicating more pronounced variability relative to their means compared to financial ownership and managerial ownership.

Firm size displays a mean of 9.572 with a SD of 0.554, indicating moderate variability around the average size of firms in the sample. The range of size extends from a minimum of 8.381 to a maximum of 10.903, showcasing diversity in firm sizes within the dataset. The coefficient of variation for size is 0.058, indicating relatively low variability compared to the other variables examined.

4.3 Diagnostic Tests

Before conducting univariate analysis, a series of diagnostic tests were employed to assess whether the panel data analysis adhered to fundamental regression assumptions. These tests encompassed evaluations such as the Skewness and Kurtosis test for normality, Variance Inflation Factor (VIF) test for multicollinearity, Breusch-Godfrey Lagrange Multiplier (LM) test for autocorrelation, Augmented Dickey-Fuller test for unit root, Breusch-Pagan/Cook Weisberg test for heteroscedasticity, and Hausman tests to determine the appropriate model specification. These diagnostic procedures were essential to ensure the robustness and validity of subsequent statistical analyses and interpretations.

4.3.1 Normality Test

This empirical inquiry embraced skewness/kurtosis test to check whether the panel data was normally distributed. The skewness/kurtosis test findings are captured in Table 3.

Table 3: Skewness/Kurtosis tests for Normality Results

Variable	N	Pr (skewness)	Pr (kurtosis)	Adj. chi2 (2)	p
MO	300	0.000	0.000	0.000	0.000
FO	300	0.000	0.000	0.000	0.000
IO	300	0.000	0.143	48.210	0.000
SZ	300	0.018	0.030	9.380	0.009

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FP	300	0.000	0.000	65.280	0.000

Source: Study Data (2023)

The upshots displayed in Table 3 infer that managerial ownership (MO χ^2 (2) = 0.000, p < 0.05), foreign ownership (FO χ^2 (2) = 0.000, p < 0.05), institutional ownership (IO χ^2 (2) = 48.210, p < 0.05), size (SZ χ^2 (2) = 9.380, p < 0.05) and financial performance (FP χ^2 (2) = 65.280, p < 0.05) all confirmed insignificant skewness/kurtosis (SK) test, signifying that the dataset adopted was not normally distributed. However, normality is considered a discretionary assumption in statistical analysis, particularly for parametric tests like regression, ANOVA, and t-tests. These tests typically assume that the data or residuals follow a normal distribution. However, this assumption isn't always strictly required, especially with larger sample sizes, due to the Central Limit Theorem (CLT). The CLT states that as the sample size grows, the distribution of the sample mean approaches normality, regardless of the distribution of the underlying data. As a result, the normality assumption becomes less crucial when working with large samples (Zikmund, 2013).

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4.3.2 Multicollinearity Test Results

The study utilized Variance Inflation Factor (VIF) and Tolerance Value (TV) to assess the presence of multicollinearity among the explanatory variables. Multicollinearity can distort parameter estimates, diminish predictive accuracy, and potentially invalidate significant predictors (Kothari, 2018). Typically, VIF values below 10 and Tolerance Values above 0.1 indicate acceptable levels of multicollinearity. The results of the collinearity diagnostics are presented in Table 4, providing insights into the interrelationships among the variables and ensuring the reliability of the regression analysis.

Table 4: Variance Inflation Factor and Tolerance Value Results

Variable	VIF	Tolerance Value (1/VIF)
MO	1.04	0.960
FO	1.03	0.970
IO	1.01	0.993
SZ	1.01	0.993
Mean VIF	**1.02**	

Source: Study Data (2023)

Table 4 indicates that all predictor variables exhibited VIF values below 10 and tolerance values above 0.1, confirming the absence of multicollinearity. Specifically,

managerial ownership had a VIF of 1.04 and a tolerance value of 0.960, foreign ownership had a VIF of 1.03 and a tolerance value of 0.970, institutional ownership had a VIF of 1.01 and a tolerance value of 0.993, and size had a VIF of 1.01 and a tolerance value of 0.993. These findings validate that all regressors were suitable for predictive purposes, as they do not exhibit problematic multicollinearity that could distort regression results or undermine their predictive reliability.

4.3.3 Test for Aautocorrelation

The empirical inquiry gauged the observations' independence using Durbin Watson d-statistics. This was geared towards checking whether or not the disturbances were consecutively correlated over time. The H_0 is that there is no serial correlation. The findings were as exhibited in Table 5.

Table 5: Serial Correlation Tests Results

Durbin Watson d-statistics (5, 300) = 2.535

Source: Study Data (2023)

The results presented in Table 5 indicate the serial correlation tests conducted using the Durbin Watson d-statistics for the dataset analyzed in 2023. The calculated d-statistics value of 2.535 falls between the acceptable range of 0 and 4, suggesting no significant serial correlation issues in the data (Zikmund, 2013). The Durbin Watson test is commonly used to detect autocorrelation in regression analysis, where values close to 2 indicate no autocorrelation, values significantly below 2 suggest positive autocorrelation, and values above 2 indicate negative autocorrelation (Kothari, 2018).

In this case, the d-statistics value of 2.535 indicates that there is no substantial autocorrelation present in the dataset, affirming the reliability of the regression results and the independence of observations over time or across variables. This finding supports the validity of the statistical analyses conducted, ensuring that the assumptions of regression modeling are adequately met

4.3.4 Panel Unit Root Test

The study assessed whether the time series variables were non-stationary and exhibited a unit root using the Hadri LM test. This test is particularly relevant for heterogeneous or balanced panel datasets, making it an appropriate choice for the current study. The Hadri LM test operates under the null hypothesis that the variable contains a unit root,

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implying non-stationarity in the dataset. If the null hypothesis is rejected, it indicates that the time series is stationary and does not contain a unit root, which is essential for obtaining reliable and valid regression results. Stationary data ensures that the relationships between variables are stable over time, preventing spurious correlations that could undermine the integrity of the model. Table 6 presents the test results, which help confirm the appropriateness of the time series data for further econometric analysis.

Table 6: Unit Root Test Results

FP	**Statistic**	**p**	**Findings**
z	2.063	0.000	stationary
MO	**Statistic**	**p**	**Findings**
z	4.756	0.000	stationary
MO	**Statistic**	**p**	**Findings**
z	4.756	0.000	stationary
FO	**Statistic**	**p**	**Findings**
z	4.957	0.000	stationary
IO	**Statistic**	**p**	**Findings**
z	5.987	0.000	stationary
SZ	**Statistic**	**p**	**Findings**
z	5.326	0.000	stationary

Source: Study Data (2023)

The results, summarized in Table 6 based on data collected in 2023, indicate that all variables examined showed statistically significant findings indicating stationarity. Specifically, for FP, managerial ownership, foreign ownership, institutional ownership, and size, the z-statistics were 2.063, 4.756, 4.957, 5.987, and 5.326, respectively, all with p-values of 0.000. These results suggest strong evidence to reject the null hypothesis of a unit root, indicating that each variable is stationary over time. Stationarity in this context implies that the variables exhibit stable mean and variance properties across the time period under study, supporting the reliability of time series analyses and modeling approaches applied in the study. These findings underscore the robustness of the dataset and validate the suitability of the Hadri LM test for detecting stationarity in panel data settings, ensuring that the assumptions necessary for accurate statistical inference and modeling are met.

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4.3.5 Heteroscedasticity Test

The study adopted Breusch-Pagan/Cook-Weisberg test for heteroscedasticity as a method for checking homogeneity of variances. The findings are displayed in Table 7.

Table 7: Heteroscedasticity Test Results

Breusch-Pagan / Cook-Weisberg test H_O: Constant Variance			
Model	Chi2 (1)	Prob > chi2	Remark
FP	15.54	0.000	Heteroscedasticity

Source: Study Data (2023)

The H_0 posits that the disturbances do not exhibit equal variances, thereby suggesting homoscedasticity. However, based on the results, the model shows evidence of heteroscedasticity as the residual variances were modeled as a function of FP $\{\chi 2\ (1) = 15.5, p < 0.05\}$. This indicates that the disturbances varied significantly in magnitude, affirming the presence of heteroscedasticity in the model. To correct heteroscedasticity identified by the White-Huber test was applied. This method adjusted for unequal variances in residuals across predictor levels, ensuring more accurate estimation and reliable statistical inference in regression models.

4.3.6 Model Specification Test

The panel data modelling characteristically employs two main techniques, fixed and random effect estimators. To choose whether to adopt fixed or random effect estimators, Hausman specification test was applied. The null hypothesis is that the random effect model is preferred. The results are documented in Table 8.

Table 8: Hausman Specification Test Results

Variable	FE	RE	Variability	SE
MO	-0.089	-0.001	-0.088	0.027
FO	-0.017	-0.007	-0.011	0.006
IO	-0.015	-0.001	-0.014	0.006
TA	-0.001	-0.001	0.000	0.000
H_o: variability in coefficients not systematic				
$chi^2(4) = 25.27$				
Prob>chi^2 0.000				

Source: Study Data (2023)

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The findings in Table 8 indicates that fixed effect estimator was the most appropriate model for estimation since the p-value of the test was less than 0.05.

4.4 Correlation Analysis

This study gauged the direction and the strength of association between paired variables using Pearson product-moment correlation coefficient. The variables employed in this study, included managerial ownership, foreign ownership, institutional ownership, size and financial performance were paired. Pearson's coefficient (r) ranges from -1 to + 1 where (r = 1) indicates perfect correlation, (r = 0) signifies that the paired variables do not vary suggesting lack of any association whereas (r = 1) shows perfect negative correlation. The correlation analysis results are exhibited in Table 9.

Table 9: Pearson's Correlations Analysis Results

Variable	MO	FO	IO	SZ	FP
MO	1				
FO	-0.008	1			
OI	-0.117	0.021	1		
SZ	-0.014	-0.166	-0.085	1	
FP	-0.042	0.037	-0.001	-0.070	1

* Correlation is significant at the 0.05 level (2-tailed)

Source: Study Data (2023)

Table 9 shows that managerial ownership (r = -0.001, p > 0.05), institutional ownership (r = -0.014, p > 0.05) and size (r = 0.041, p > 0.05) insignificantly correlated with financial performance whereas foreign ownership (r = -0.117, p > 0.05) significantly correlated with financial performance. Foreign ownership (r = 0.211, p > 0.05) and size (r = -0.037, p < 0.05) insignificantly correlated with managerial ownership whereas institutional ownership (r = -0.167, p < 0.05. Furthermore, institutional ownership (r = -0.085, p > 0.05) and size (r = -0.001, p > 0.05) negatively and significantly correlated with managerial ownership whereas size (r = -0.070, p > 0.05) on the other hand insignificantly correlated with institutional ownership.

4.5 Regression Results

The fixed effects model was applied for estimation purpose. R^2 was used to ascertain the percentage of disparity in the response variable that is described by the regressors. F-statistic was used to check the model's significance; regression weights (β) estimates

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variance in the regress and for a unit change in an explanatory variable and finally p values were used to ascertain the significance level.

4.5.1 Ownership Structure and Financial Performance

The main objective of the study was to examine the direct effect of ownership structure on financial performance of insurance firms in Kenya. Ownership structure was conceptualized as explanatory variable and consisted of managerial, foreign and institutional dimensions. Financial performance was modelled as a response variable and was represented by ROA. Fixed effect estimator was employed for estimation purposes as documented below;

$$FP_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 FO_{it} + \beta_3 IO_{it} + \varepsilon_{it}$$

NB: The model's parameters are described in equation.....(3.1)

Table 10: Ownership Structure and Financial Performance

Overall Model Fit Statistics						
Model: Fixed effects (within) regression			**Number of observations**		= 300	
Panel Variable: ID (strongly balanced)			**Number of groups**		= 60	
			Obs. per group	minimum	= 5	
Time Variable: TIME, 2018 to 2022						
R^2	within	= 0.830		average	= 5	
				maximum	= 5	
	between	= 0.000				
	overall	= 0.508	**F (3, 237)**		= 9.82	
Corr	(u-i, x)	= -0.374	**Prob > F**		= 0.000	
Parameter Estimates Statistics						
FP	**β**	**SE**	**t**	**p**	**95% Interval**	**Confidence**
Constant	0.032	0.003	12.68	0.000	0.027	0.037
MO	-0.089	0.027	-3.29	0.000	-0.142	-0.036
IO	-0.015	0.006	-2.51	0.013	-0.027	-0.036
FO	-0.018	0.006	-2.77	0.006	-0.030	-0.005

Source: Study Data (2023)

Table 10 exhibits the outcome of the direct relationship between ownership structure and financial performance. The overall model significance {$R^2 = 0.508$, $F(3, 237) = 9.82$, $p < 0.05$) indicates that ownership structure reliably predicts financial performance at 95% confidence interval. Specifically, the upshots suggested that 50.8% of variance in financial performance was described by ownership structure whereas

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other omitted parameters explained the other 49.2%. The parameter estimates indicates that financial performance was positively and significantly influenced by managerial ownership ($\beta = -0.089$, $t = -3.29$, $p < 0.05$), institutional ownership ($\beta = -0.015$, $t = -2.51$, $p < 0.05$) and foreign ownership ($\beta = -0.018$, $t = -2.77$, $p < 0.05$). This implies that financial performance plummeted by 8.9%, 1.5% and 1.8% due to a unit increase in managerial, institutional and foreign ownership respectively, ceteris paribus.

The first objective of this study was to determine the influence of managerial ownership on the financial performance of insurance firms in Kenya. The findings validated a negative significant relationship between managerial ownership and financial performance. The estimation results mirror those of Zandii et al. (2020) who that confirmed that managerial ownership negatively influences financial performance. The findings of the current study substantially diverge with those of Alhassan and Manuda's (2020) whose results showed that ownership concentration had a negative minor impact on financial performance whereas managerial and institutional aspects of ownership structure had a positive substantial impact. Similarly, inconsistent outcomes are presented by Dwaikatt and Queiri (2014) who showed a stronger correlation between ownership concentration and financial performance, while management ownership showed a more substantial positive correlation.

The second objective of the study was to establish the effect of institutional ownership on the financial performance of insurance firms in Kenya. The results confirmed a negative significant relationship between institutional ownership and financial performance. The findings of this study contradict those of Ammari and Terzi (2022) who confirmed a significant causal relationship between the institutional ownership and financial performance in both a bidirectional and unidirectional manner. Similarly, the outcomes by Ogabo et al. (2021) who suggested that suggest that institutional ownership positively and significantly influence financial performance corroborate the current findings. Finally, the current findings do not corroborate those of Dakhallh (2019) who established that institutional ownership positively influences financial performance.

The third objective was to examine the influence of foreign ownership on the financial performance of insurance companies in Kenya. The upshots affirmed a negative significant relationship between foreign ownership and financial performance. The

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findings of this study mirror those of Rashid (2019) who reported that foreign ownership negatively and insignificantly affects the financial performance of Bangladeshi firms. In contrast, the findings of this study are not in tandem with those of Hossain et al. (2021) who concluded a significant positive relationship between ownership structure and financial performance. Finally, the findings of this study do not mirror those of Aonin (2018) who reckoned that foreign ownership significantly and positively influenced financial performance.

4.5.2 Ownership Structure, Size and Financial Performance

The fourth objective of the study was to examine the moderating effect of size on the linkage between ownership structures on financial performance of insurance firms in Kenya. Ownership structure was conceptualized as an independent variable and composed of managerial, foreign and institutional dimensions. Size was modelled as a moderating variable and was represented by assets. Furthermore, financial performance was conceptualized as an outcome variable and was captured by ROA. Fixed effect estimator was employed for estimation purposes as documented below;

$$FP_{it} = \beta_0 + \beta_1 OS_{it} + \beta_2 SZ_{it} + \beta_3 OS*SZ_{it} + \varepsilon_{it}$$

NB: The model's parameters are described in equation.....(3.2)

Table 11: Ownership Structure, Size and Financial Performance

Overall Model Fit Statistics						
Model: Fixed effects (within) regression			**Number of observations**		= 300	
Panel Variable: ID (strongly balanced)			**Number of groups**		= 60	
Time Variable: TIME, 2018 to 2022			**Obs. per group**	minimum	= 5	
R^2	within	= 0.856		average	= 5	
	between	= 0.001		maximum	= 5	
	overall	= 0.576	**F (3, 237)**		= 7.28	
Corr	(u-i, x)	= -0.290	**Prob > F**		= 0.000	

Parameter Estimates Statistics						
FP	**β**	**SE**	**t**	**p**	**95% Confidence Interval**	
Constant	0.026	0.010	2.50	0.013	0.006	0.047
OS	0.010	0.015	0.65	0.515	-0.019	0.038
SZ	0.000	0.001	0.05	-3.63	-0.010	-0.003
OS*SZ	0.026	0.010	2.50	0.013	0.006	0.047

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Source: Study Data (2023)

Table 11 displays the results of the moderating role of size on the relationship between ownership structure and financial performance. The overall model significance {R^2 = 0.576, F (3, 237) = 7.28, $p < 0.05$) signifies that collectively, ownership structure, size and the interaction term reliably predict financial performance at 95% confidence interval. Specifically, the outcome suggested that 57.6% of variance in financial performance was jointly explained by ownership structure, size and the interaction term while other disregarded parameters described the other 42.4%.

Furthermore, the parameter estimates confirmed that both ownership structure (β = 010, t = 0.65, $p > 0.05$) and size (β = -0.000, t = 0.05, $p > 0.05$) insignificantly influenced financial performance. The coefficient of interaction between ownership structure and size (OS*SZ) was negatively significant (β = -0.026, t = -3.63, $p < 0.05$) inferring that the conditional effect of ownership structure on financial performance vary with size. This implies that CG-FV relationship weakened as size increases hence confirming buffering moderation. The findings shows that size moderates the relationship between ownership structure and financial performance.

The findings of this study reflect those of Laporsek et al. (2021) who concluded that size moderated the relationship between ownership structure and financial performance of Slovenian firms. Similar findings are reported by Peng et al. (2021) who suggested that the relationship between ownership structure and financial performance was moderated by size as measured by total assets. However, the outcome of this study significantly differs with those of Panda (2019) who postulated that size did not moderate the relationship between ownership structure and financial performance.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section describes the summary of the research outcomes, conclusions inferred with respect to research findings, implications of the empirical inquiry and lastly recommendations for further research.

5.2 Summary of the Key Findings

The first specific objective was to determine the effect of managerial ownership on the financial performance of insurance companies in Kenya. The outcomes affirmed that managerial ownership was a negatively and significantly predicted financial performance. The second specific objective was to establish the effect of institutional ownership on financial performance of insurance firms in Kenya. The upshots affirmed that institutional ownership has a negative significant effect on financial performance. The third specific objective was to examine the effect of foreign ownership on financial performance of insurance companies in Kenya. The outcome suggested that foreign ownership had a negative significant effect on financial performance. Finally, the last objective was to assess the moderating role of size on the relationship between ownership structure and financial performance of insurance firms in Kenya. The results demonstrated that size moderated the relationship between ownership structure and financial performance.

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5.3 Conclusions

The research makes multiple conclusions on the basis of the study outcomes. To begin with, the study concluded that managerial ownership has a significant negative effect on financial performance. Innately, managerial ownership often constrains firms in raising additional capital required for expansion purposes or financing diverse business operations. This is attributed to lack of business experience or personal wealth needed to raise additional funds and therefore managerial ownership majorly relies on high levels of personal funding. As a result, most of the managerial owned firms depends on loans from financial institutions and this put immense pressure on these firms to perform. Sometimes, there is tendency of the incumbent managerial team to undertake some measures to reduce firms' profitability in the run up to managerial buyout in the

hope of reducing the purchase price. This usually have a negative effect on the financial performance of many entities.

Secondly, it can be concluded that institutional ownership has significant negative effect on the financial performance. Stockholders or investors should be cognizant of the fact that even though the mutual funds are supposed to align their endeavors on building the customer's assets over a long period of time, the portfolio administrators are habitually appraised on their performance periodically. The process of portfolio evaluation is fraught, and administrators with unfavorable quarters may feel obliged to drop underperforming portfolios with the hope of accomplishing parity. This often leads to escalating trading expenses, taxable circumstances and his adversely affects the financial performance.

Thirdly, it can be concluded that foreign ownership has a negative significant influence on financial performance. To begin with, foreign ownership heightens the demand for local products hence occasioning to increased prices. The surging prices potentially adversely affect the overall performance of many firms hence hampering the economic growth. Most of the foreign owned firms are highly productive and often causes the domestic firms to be less competitive hence plummeting their profits. Similarly, foreign owned firms, particularly multi-nationals may utilize their immense power that they wield at market place to influence state policies especially in developing economies. This has adverse effect not only in weakening the economic growth, but also the financial performance of the many domestic firms. Finally, vast of foreign owned firms have a longstanding practice of repatriating profits to their parent companies and this causes a serious capital flight. This is detrimental to country's economic prosperity as well as the sustainability (performance) of many local firms.

Lastly, it can be concluded that size moderates the relationship between ownership structure and financial performance. Ownership structure is critical in corporate governance since it impacts managers' incentives and, consequently, the firm's effectiveness. Large firms in terms of asset base, sales turnover and the number of employees are characterized by higher diffusion of ownership hence making them to be prone to agency conflicts. Intensified conflicts arising from an extended web of ownership structure lengthens the decision-making process and also paused managerial challenges hence negatively impacting on the financial performance.

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5.4 Recommendations of the Study

The estimation results of this research has implication on theory propagation, policy and management practice. The outcome of this research complements the agency theory by introducing a new viewpoint that managerial, institutional and foreign ownership inversely affects the financial performance. This contradicts the prior assertion that has traditionally supported a positive relationship between ownership structure and financial performance. The outcomes support the postulations of stewardship theory which suggests that owners and steward management with substantial controlling interest are exclusively motivated by instituting most favorable investment choices which are valuable to corporate entities. Finally, the results of this research reinforce the tenets of the stakeholder theory by postulating that shareholders being an important constituent of an extended web of stakeholders whose decision can affect the outcomes of the organization in term of success, it is therefore important to satisfy the needs of different types of shareholders. In terms of ownership, shareholders can be classified into managerial ownership, institutional ownership, foreign ownership, state ownership as well as ownership concentration.

The outcome of this study has implication on policy prescriptions. The findings are useful to diverse stakeholders such as the investors, policy makers alongside regulators such as Insurance Regulatory Authority (IRA). The regular (IRA) based on the findings of this study is better placed to give policy directives to insurance firms regarding the most appropriate ownership architecture while taking into consideration the variations in sizes and financial performance of many firms. The outcomes of this investigation aid the policy makers in enhancing corporate governance issues, particularly the ownership structure of many insurance firms which is a critical aspect of sound management in corporate sector. This is achieved by providing requisite input to manifold policy interventions while coming up with appropriate and enhanced framework for guidelines on safeguarding investors and ownership structure guidelines.

The results of this empirical investigation have implication on management practice within the insurance sector. The findings are instrumental in meaningfully contributing to management practice in regard to the nexus between ownership structure and financial performance. This greatly helps the management team to determine the perfect ownership composition which play a fundamental role in making the appropriate corporate governance decisions as well as the right capital structure mix decisions that

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ultimately has implication on aggregate financial performance in the insurance segment. Consequently, this aids in ameliorating the corporate governance practices relating to the ownership structure. For example, managerial and institutional ownership composition contributes to proficient utilization of entity's corporate resources since these parties try to champion their selfish interests. In contrast, foreign investors frequently transfer essential expertise or skills that augments management monitoring process.

5.5 Areas for Further Research

The majority of previous empirical studies, including the current research, have utilized longitudinal datasets to explore the relationships among ownership structure, size, and financial performance, both within single-country contexts and across different countries. Future research endeavors should consider the potential benefits of employing cross-sectional datasets to understand the financial performance of different entities. Despite the numerous advantages of longitudinal studies, cross-sectional approaches offer distinct strengths. They are efficient and cost-effective, facilitating the identification of risk factors more straightforwardly. Additionally, cross-sectional studies enable the comparison of various segments within a larger sample. Another notable advantage of cross-sectional studies is their capacity to encompass extensive datasets with multiple variables, which can provide comprehensive insights into complex relationships.

Moreover, this study exclusively concentrated on insurance firms in Kenya, and the findings may vary if other firms from diverse sectors were included in the analysis. Future research should aim to investigate sectors that are subject to different regulatory frameworks compared to insurance firms. While this research delved deeply into one sector of the economy, it's important to recognize potential significant differences across industries in how ownership structure, firm size, and financial performance mechanisms operate. Subsequent empirical endeavors should consider conducting cross-sector analyses to determine whether contextual variations typically influence the dynamics of ownership structure, firm size, and financial performance strategies.

Future empirical investigations should explore diverse indicators and methodologies to define ownership structure, firm size, and financial performance. Alternative measures of ownership structure, such as ownership concentration, state ownership, and family

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ownership, could provide deeper insights into how different ownership dynamics affect firm outcomes. Similarly, size can be operationalized using metrics beyond those used in this study, such as sales turnover or the number of full-time employees, to capture a broader understanding of firm scale. Furthermore, incorporating additional measures of financial performance, particularly market-based indicators like market capitalization, market-to-book ratio, and price-earnings ratio, would help validate findings and uncover nuances that traditional financial metrics may overlook.

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APPENDICES

Appendix I: Data Collection Sheet

No	Variable/Indicator		2018	2019	2020	2021	2022
	Ownership Structure						
	a	Managerial ownership %					
	b	Institutional ownership %					
	c	Foreign ownership %					
2	**Firm Size**						
	a	Total assets					
3.	**Financial Performance**						
	a	Profit after tax					
	b	Total assets					

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Appendix II: List of Insurance Companies

1. AAR Insurance Kenya Limited
2. AIG Insurance Company Limited
3. Allianz Insurance Company of Kenya Limited
4. APA Insurance Company Limited
5. BRITAM General Insurance Company (K) Ltd
6. BRITAM Life Insurance Company Limited
7. CAPEX Life Assurance Company
8. CIC General Insurance Company Limited
9. CIC Life Assurance Company
10. Corporate Insurance Company Limited-General
11. Direct line Assurance Company Ltd
12. Fidelity Shield Insurance Company Limited
13. First Assurance Company Limited-General
14. GA Insurance Limited
15. Geminia Insurance Company Limited-General
16. Heritage Insurance Company Limited
17. ICEA Lion General Insurance Company Ltd
18. Intra-Africa Assurance Company Limited
19. Invesco Assurance Company Limited
20. Jubilee Insurance Company Limited-General
21. Jubilee Heath Insurance
22. Kenya Orient Insurance
23. Madison General Insurance Company
24. Mayfair Insurance Company
25. Occidental Insurance Company
26. Pacis Insurance Company
27. Pioneer General Insurance
28. Kenindia Assurance Company Limited-General
29. The Kenyan Alliance Insurance Company Limited-General
30. The Monarch Insurance Company Limited-General
31. Trident Insurance Company Limited
32. UAP Insurance Company Limited
33. UAP Life Assurance Company
34. Xplico Insurance Company Limited
35. APA Life Assurance Company Limited
36. ABSA Life Assurance
37. The Kenya Alliance Insurance
38. Barclays Life Assurance Kenya Limited
39. Capex Life Assurance Company Limited
40. CIC Life Assurance Company Limited
41. CIC General Insurance
42. Corporate Insurance Company Limited-Life

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43. First Assurance Company Limited-Life
44. GA Life Assurance Limited
45. Geminia Insurance Company Limited-Life
46. ICEA Lion Life Assurance Company Ltd
47. Jubilee Insurance Company Limited-Life
48. Kenindia Assurance Company Limited-Life
49. Kenya Orient Life Assurance Company Limited
50. KUSCCO Mutual Assurance Limited
51. Resolution Insurance Company
52. Sanlam Insurance Company
53. Takaful Insurance of Africa
54. Tausi Insurance Company
55. Liberty Life Assurance Kenya Limited
56. Madison Insurance Company Limited-Life

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Appendix III: NACOST Research Permit

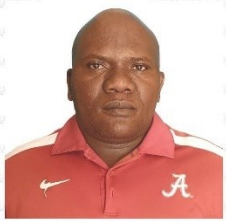
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    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
    iv. Result in exploitation of intellectual property rights of communities in Kenya
    v. Adversely affect the environment
    vi. Adversely affect the rights of communities
    vii. Endanger public safety and national cohesion
    viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

Appendix IV: Recommendation Letter

ST. PAUL'S UNIVERSITY

Private Bag 00217 LIMURU, KENYA
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728 - 669000
(0) 736 - 424440

BOARD OF POSTGRADUATE STUDIES

7th May, 2024

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.

Dear Sir/Madam,

RE: RECOMMENDATION FOR ABEDNEGO MULE - MBADIST369322 TO CONDUCT RESEARCH

This letter confirms the above-named person is a student in the Master of Business Administration Program at St. Paul's University.

The second year consists of a major research work leading to a Thesis. The student's selected topic is:

"Ownership Structure, Size and Financial Performance of Insurance Firms in Kenya."

Kindly grant this student the required permit.

Yours Faithfully,

DIRECTOR POSTGRADUATE STUDIES ST. PAUL'S UNIVERSITY 07 MAY 2024 P. O. BOX 30623-00217 PRIVATE BAG - 00217, LIMURU

Dr. John Muhoho
Director Board of Postgraduate Studies

St. Paul's University Repository

Appendix V: Recommendation Letter

ST. PAUL'S UNIVERSITY

Private Bag 00217 Limuru,
Kenya
Email: office@spu.ac.ke
Website: www.spu.ac.ke

Tel Office: +254 (0) 20-2020505/10
Mobile: +254 (0) 728-669000
(0) 736-424440

REF: SPU/153/2024 **Date: 29th April 2024**

TO: Abednego Mule,
St. Paul's University

Dear Abednego,

==========

REF: Ownership Structure, Size and Financial Performance of Insurance Firms in Kenya

==========

Greetings,

This is to inform you that SPU- Institutional Scientific Ethics Review Committee has reviewed the above-named research proposal. **Your ERB approval number is 162, for the period between 29th April 2024 – 29th April 2025 (1 year).**

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SPU- Institutional Scientific Ethics Review Committee.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SPU- Institutional Scientific Ethics Review Committee within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect

the integrity of the research must be reported to *SPU- Institutional Scientific Ethics Review Committee* within 72 hours

v. Clearance for export of biological specimens must be obtained from relevant institutions.

vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.

vii. Submission of an executive summary report within 90 days upon completion of the study to SPU- Institutional Scientific Ethics Review Committee.

viii. Please note that it is within the ISERC's mandate to monitor your research and to do random visits to the site. All research is subject to post approval monitoring.

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

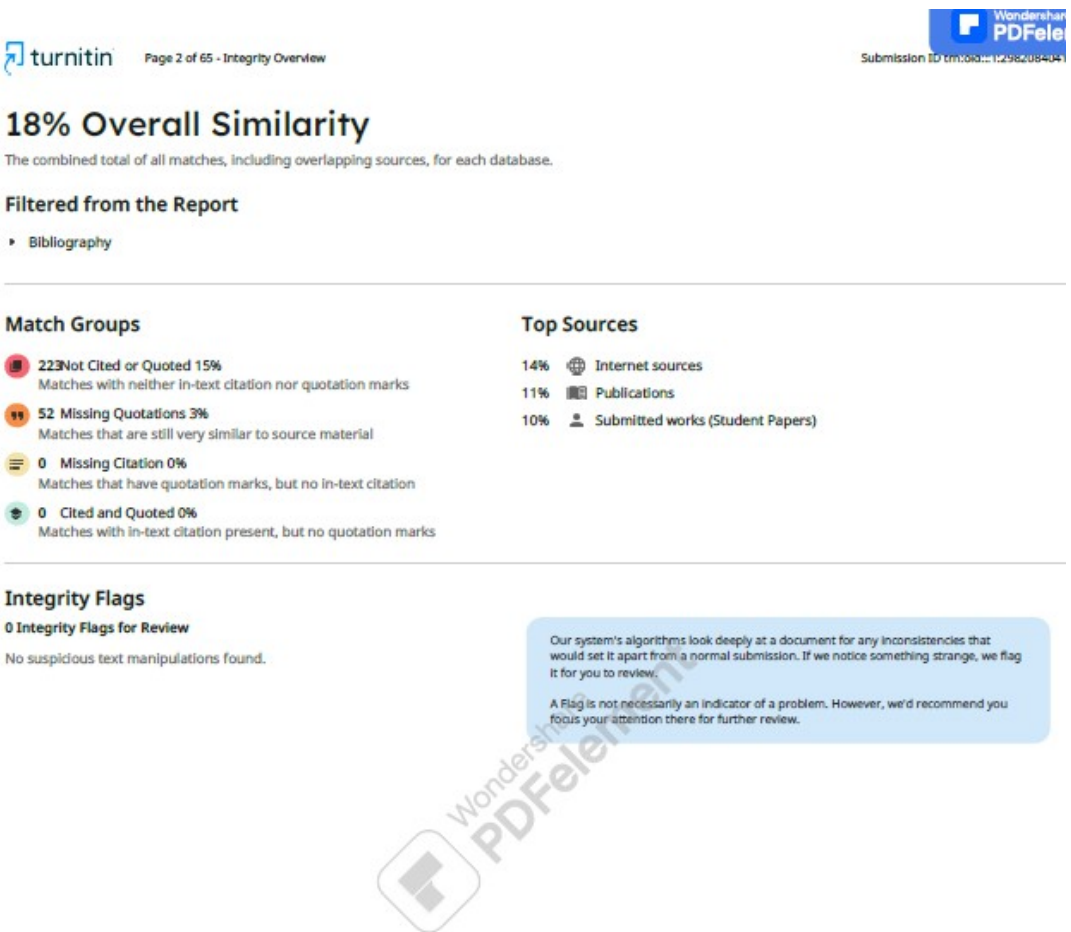
Yours sincerely,



Dr. Daniel Nzengya, PhD
Chairperson
SPU- Institutional Scientific & Ethics Review Committee



Appendix VI: Turnitin Report



turnitin Page 2 of 65 - Integrity Overview

Submission ID trn:oid:::1:2982084041

18% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

Filtered from the Report

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223 Not Cited or Quoted 15%
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0 Integrity Flags for Review

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