

**RELATIONSHIP BETWEEN BOARD DIVERSITY AND FINANCIAL
PERFORMANCE OF INSURANCE FIRMS IN KENYA**

JOYCE JEPKEMBOI

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DECLARATION

This research project is my original work and has not been presented in any other University.

Signed..... Date

JOYCE JEPKEMBOI

D63/72778/2014

This research project has been submitted for presentation with my approval as University Supervisor.

Signed..... Date

DR. DUNCAN ELLY OCHIENG (PHD, CIFA)

Lecturer,

Department of Finance and Accounting

School of Business,

University of Nairobi

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DEDICATION

This project is dedicated to my mother Esther Lelmengit who has been by my side throughout my study and whose inspirations keep me going.

ABSTRACT

Board diversity is desirable in a firm because of its associated benefits it provides to the organizations. One of the bold steps taken by insurance companies to increase the capacity of the board to make their oversight function effectively is diversification of the corporate board. The objective of the study was to determine the relationship between board diversity and financial performance of Insurance firms in Kenya. The research was anchored on the agency, resource dependence and the upper echelon theories. To achieve the research objective the study adopted The Research Design used in this work is the descriptive research design. The population of the study comprised of all the insurance firms operating in Kenya. According to Insurance Regulatory Authority (IRA), as at the end of year 2016, there were 48 Insurance firms in Kenya. This formed the study population. Systematic sampling design was adopted in the study to select 20 insurance companies. The study used secondary data only. Data was analyzed using SPSS Version 22. Correlation analysis was carried out to find out the association between variables. Descriptive statistics such as mean and standard deviation was also be used to delineate variable characteristics. Regression analysis was used to establish the relationship between the independent and dependent variables. The study revealed that there exist strong, significant and positive correlation between gender diversity that is increase in women in the board and return on Assets. The study found that increase in ethnicity diversity on Corporate boards would increase financial returns in insurance companies in Kenya. The study revealed that increase in foreign board members increase ROA in insurance companies in Kenya. The study established that there exist a strong, significant and positive relationship between Board Composition financial performance in insurance companies. The study however, revealed that board size had a negative effect on financial performance in insurance companies in Kenya. The study concluded that gender diversity increase Return on Assets. The study conclude that ethnic diversity in the company board members would results into increase in ROA in insurance companies. The study concluded that increase in foreign director would lead to increase ROA in insurance companies in Kenya. The study conclude that there exist a strong, significant and positive relationship between Board composition on ROA. The study concluded that board size had a negative effect on financial performance in insurance companies in Kenya. From the conclusion, the study recommend that management of insurance companies should increase gender diversity in board members by increase of female directors, board ethnicity in the board, increase foreign director members, increase Non executive board membership and increase in female members in the board would positively increase Return on Assets.

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ABBREVIATIONS/ACROMNYS

ROA - Return on Assets

BCOMP - Board Composition

MIN BOARD -Foreign Director

FEM BOARD -Gender Diversity

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The board of directors in a firm play an important function in providing both oversight and advisory roles; and as the legal decision making in a firm, its composition will determine the type of decision they will make. Van der Walt & Ingley (2013) highlight that in the recent past, the importance of a board's characteristics such as personality characteristics, competencies and demographic characteristics not only determine the organizations effectiveness but also its performance. Adams and Ferreira (2009) note that a firms board of directors is tasked with implementing its strategic decisions, including mergers, acquisitions, alliances, hiring/firing executives, and capital structures and that effective implementation of these strategies impact on its short and long term financial performance and overall capital expenditures. In addition, recent corporate scandals (Imperial and Chase Bank in Kenya) have aroused the need for an even scrutiny of boards of directors' decisions and composition. Indeed, Ayuso & Argandona (2012) assert that around the world, there are calls to diversify boards of directors in terms of their independence and gender.

The need for a diverse board is supported by several theories, namely, agency theory, resource dependency theory and the upper echelon theory. Agency Theory is concerned with the relationship between the principals and the agents. Within the relationship, shareholders expect the agents to act and make decisions in the principals' interest and therefore there is a need to protect the interests of owners in order to minimize agency problem (Jensen, 1986). Resource dependence theory

explains how external resources of the organization (Terjesen et al., 2009) impact organization performance and since corporate boards act as a link between the company and external organizations, they play an important role in influencing a firm performance (Hillman et al., 2012).

Kenyan insurance industry is one of the important sectors that have been identified has a crucial player in the attainment of Vision 2030 objective. This is because the insurance industry does not only facilitate economic transactions through risk transfer and indemnification but also promotes financial intermediation and from this perspective, the insurance industry can be used to promote financial stability, mobilize savings, facilitate trade and commerce, and complement government security programs (Makove, 2014). The Capital Market Authority (CMA) stipulate that a substantial share of a firm's directors diversity relate to financial performance in insurance firms.

1.1.1 Corporate Board Diversity

The concept of board diversity has received varied definition. Swartz and Firer (2005) opine that board diversity is concerned with, among others, members of the boards of directors having varied kinds of expertise, learning style, managerial background, personality, gender, age, education and values. According to Van der Walt and Ingley (2013), board diversity is simply concerned with a variety in the composition of the board of directors. The diversity in this regard is in both demographic and cognitive. Demographic diversity refers to the easily detectable attributes of directors such as race or ethnicity, age, nationality and gender. On the other hand cognitive diversity relates to the unobservable or less visible attributes of directors, such as educational, functional and occupational backgrounds, industry experience, and organizational

membership. Indeed diversity advocates suggest that, to make managers and board members act ethically, there should be a support for diversity of the boards of directors (Fields and Keys, 2003).

Tornyeva and Wereko (2012) assert that board diversity is desirable in a firm because of its associated benefits it provides to the organizations. For examples, Carter et al. (2003) highlighted that a diverse board lead to increased creativity, a better understanding of the market place and innovation, and better problem solving capacity. In addition, a board that is gender, ethnically or culturally balanced in terms of its members encourages more effective global relationships and increase board independence (Arfken et al. 2014). In addition, diverse board also demonstrates a greater equality of representation of the relevant stakeholder constituencies, including the society and provides the various views required by firms to face today's challenges in dynamic business environment.

However, despite the benefits associated with a diverse board, Forbes and Milliken (2009) highlight that each component of board members' demographic characteristics is likely to have complex and varied effects on its performance. A case in point is that even though a diverse board is more likely to have dispersed opinions, it may also experience communication and coordination challenges due to the failure to accept other members' expertise in the problem solving process. Similar Williams and O'Reilly (2008) highlighted the negative outcome of having relations-oriented diversity as opposed to the traditional forms of task-related diversity.

1.1.2 Firm Financial Performance

The concept of performance has been difficult to define because of its multidimensional meanings. However, Murphy et al., (2006) are of the view that

performance measures are either financial or organisational. The popular measures of financial performance include profit maximisation, maximising profit on assets, and maximising shareholders' benefits acts as the core measures of the firm's effectiveness. Further operational performance measures, such as growth in market shares and growth in sales provide a broad definition of performance as they focus on the factors that ultimately lead to financial performance (Hoffer & Sandberg, 2007).

Ang, Cole and Line (2000) opine that the usefulness of a measure of performance may be influenced by the objective of a firm that will determine the choice of performance measure and the development of the stock and capital market. For example, if the stock market is not highly developed and active then the market performance measures will not provide a good result. The most commonly used performance measure proxies are return on assets (ROA) and return on equity (ROE) or return on investment (ROI). These accounting measures representing the financial ratios from balance sheet and income statements have been used by many researchers (Demsetz and Lehn, 2005). They further posit that organizational performance is determined by three specific areas of firms' outcomes which include: firm's financial performance as measured by profits, ROA and ROI, product market performance and shareholder return, measured by total returns to shareholder and increased residual wealth.

1.1.3 Corporate Board Diversity and Financial Performance in Insurance Firms

Studies on the relationship between board diversity and financial performance of a firm have been varied. Marimuthu and Koladaisamy (2009a) establish a significant positive relationship between ethnic diversity and firms' performance but in another study, Marimuthu and Koladaisamy (2009b) find no significant relationship between ethnic diversity on the board and firm performance. Another form of board diversity

that impacts on the financial performance is the proportion of foreign directorship. On this regard, Tornyeva and Wereko (2012) find a significant positive relationship between the presence of foreign directors on the board and firms' financial performance but Schwizer et al. (2012) who find a significant negative relationship between the variables find a different result.

In regard to the relationship between board composition (board independence) and firms' performance, Dimitropoulos and Asteriou (2010) find a significant positive relationship between independent board and firms' financial performance though the relationship between board composition and firms' performance depends on the cost of acquiring information. With regard to the board size and firm performance, the results have been inconclusive. While Najjar (2013) establish a significant positive relationship between board size and firms' performance, Cheng (2008) find a significant negative relationship between board size and firm performance. On the other hand, Pathan and Skully (2010) find that there is no significant relationship between board size and firms' performance. Boards with greater shares of outside directors should be viewed more positively by the public than a board comprised of fewer outsiders. However, when the level of outsiders is fixed, the percentage of women on the board may be important when assessing outsiders' perceived independence..

1.1.4 Insurance Firms in Kenya

The insurance industry in Kenya comprise of insurance companies, reinsurance companies, insurance and reinsurance brokers, loss adjusters, motor assessors, insurance investigators, insurance agents, medical insurance providers, claims settling agents and risk managers. Kenya's Insurance Industry is faced with challenges of low penetration, price competition, increasing insurance claim fraud, lack of technical

capacity to handle oil and gas insurance as well as Terrorism and sabotage (IRA 2015). To address the challenges, the regulator reported to have a strategic plan aimed at creating public awareness to increase uptake of Insurance, minimum premium rates have been introduced to level the price wars and international partnerships have been encouraged to address the technical incapacities in areas like oil, gas, terrorism and sabotage. As for the fraud, IRA has launched an Insurance Fraud Unit to tame the vice within the insurance industry. These measures adopted by the regulator will help address the challenges and improve on performance of the industry if well implemented.

1.2 Research Problem

The recent corporate failures on companies and national economies, as well as financial crisis have called upon the establishment of good corporate governance in both the public and private enterprises. As a result, attention has been directed to the decision making of a firm to try and establish a balanced board that will make optimal decision (Najjar, 2013). One of the bold steps taken to increase the capacity of the board to make their oversight function effectively is diversification of the corporate board. As the highest internal governance tool in a firm, board of directors is expected to play important functions that include monitoring of the firm management to control the agency cost (Jensen 1993) and to provide appropriate strategic directions to the firms (Hillman & Dalziel 2003). In order to discharge their duties effectively, the boards need to have certain characteristics that range from their demographic, competence, personality characteristics and values. A diversified board is expected to influence the type of decision-making process that is made in a firm and therefore be able to respond appropriately to the market demands.

Kenyan insurance industry is one of the important sectors that have been identified has a crucial player in the attainment of Vision 2030 objective. This is because the insurance industry does not only facilitate economic transactions through risk transfer and indemnification but also promotes financial intermediation and from this perspective, the insurance industry can be used to promote financial stability, mobilize savings, facilitate trade and commerce, and complement government security programs (Makove, 2014). In view of this, there is a need for ensuring the sustainability of the Insurance sector through good corporate governance. This is largely out of the need arising from increasing number of high profile corporate failures around the world. However, in Kenya, though there has been no major insurance firm failure in the last two decades, the financial service sector has seen cases of receivership being undertaken in the last ten years. Therefore, establishment of effective corporate governance under the guidance of the board will be a noble step.

Several studies have been undertaken with regard to the influence of board diversity on the financial performance of a firm. Byoun, Chang and Kim (2011) researched on the effect of corporate board diversity on a firm dividend payout and found that diverse boards are more prone to pay large dividends than those with non-diverse boards. Zainali, Zulkifli and Saleh researched on corporate board diversity in Malaysia by studying a longitudinal characteristic of Gender and Nationality Diversity. The study emphasised the need for more efforts that encourage board diversity in Malaysia. Garba and Abubakar (2014) sought to establish the effect of corporate board diversity and financial performance of insurance companies in Nigeria. Their findings were that there exist a negative and significant relationship

between board composition and performance of insurance companies in Nigeria but that board composition had a positive effect on the firm financial performance.

Locally, Mutua (2013) did a similar research as present, the board diversity characteristic considered were limited in the sense that he looked at the effect of age, gender and ethnicity. However, the present research sought to answer the question what is the relationship between board diversity and financial performance of Insurance firms in Kenya?

1.3 General Objective

To examine the relationship between board diversity and financial performance of Insurance firms in Kenya

1.3.1 Specific Research Objectives

- i. To establish the board diversity practices among the insurance companies in Kenya
- ii. To determine the relationship between board diversity and financial performance of Insurance firms in Kenya

1.4 Value of the Study

The study would be of benefit to various groups of stakeholders. The management of the insurance firms by understanding the linkage between board diversity and financial performance in insurance industry is paramount to every insurance company in Kenya because the significance of various board diversity characteristics would be established and this would improve the management importance of the influence of board diversity on performance. The establishment of the various board

characteristics and their effect would enable insurance firms' management to put in place appropriate board feature that would increase its performance.

To the policyholders, such as insurance regulatory authority (IRA) and CMA for the listed firms, they would be able to establish the most significant board diversity characteristic that would influence the performance of the firms. By so doing, they can develop appropriate requirement when establishing the board in order to oversee the making of better decisions. In addition, two important dimensions of board diversity would be examined; namely gender diversity and nationality diversity. These two dimensions are chosen because of their benefits offered to firms.

Future studies may also build on the findings as a source of empirical information as regards the relationship between board diversity and the financial performance in the insurance industry in Kenya. Hence scholars would take the study as a guide to their future quest to understanding the relationship between board diversity and performance of a firm.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section discusses the relevant literature to the research subject area. The key areas to be covered was the theoretical framework, determinants of bank performance, empirical studies. The section also covered the summary of the literature and research gap as well as the conceptual framework.

2.2 Theoretical Framework

To understand the concept of the nexus between diversity and performance relationship, several theories have been advanced. However, in their influential work on the topic Terjesen et al. (2008) argue that no single theory can fully explain the relationship between board diversity and firm financial performance. The research was anchored on the agency, resource dependence and the upper echelon theories.

2.2.1 Agency Theory

Agency theory was advanced by Jensen and Meckling (1976) and focuses on the inherent conflicts between a firms owner's interests and the management interests. This conflict might arise when the agent (managers) pursue some actions that will not be to the best interest of the owners (principal). Therefore, according to this framework, a firms CEO has incentives to influence the selection of a board that will enable him/her to maximize his/her personal benefits. In contrast, directors have incentives to maintain their own independence, preventing them from being complacent about the CEO. Consequently, from the agent theoretical perspective,

independent directors will have lesser potential conflicts of interest and therefore are in a position to provide greater integrity and independent judgment (Rosenstein and Wyatt 1997). Consequently, it is envisaged that independent directors will more likely represent shareholder interests and potentially take a stand against the CEO (Adams et al. 2010).

Francoeur et al. (2008) observe that from an agency theory perspective, women (like external shareholders, ethnic minorities, and foreigners) will often bring new ideas on complex issues, and this can help correct informational biases in strategy formulation and problem solving. Indeed a recent Finnish study reports that female board members, compared to their male counterparts, are more likely to take active roles on their boards (Virtanen 2012). Other studies indicates that women are more likely to ask questions, debate issues and display participative leadership and collaboration skills, and generally hold their organizations to higher ethical standings than their male counterparts (Carter et al., 2010). The Agency theory suggests that a diverse board frequently increases board independence, which in turn increases the board's ability to monitor the management.

2.2.2 Resource Dependency Theory

Resource dependence theory was advanced by Pfeffer & Salancik (1978) and posits that defines that organizations are not able to internally generate all the resources or functions required to maintain themselves and therefore must develop relationships with elements in the outside environment to obtain the needed resources and services. Hence internal systems that satisfy the demands of both internal and external resource providers must be put in place. From the board diversity perspective, since corporate boards function as a link between the company and external stakeholders, resource dependence theory explains how the diversity of corporate boards affects the firm

financial performance (Hillman et al., 2002). An ethnically and gender diverse boards will provide a broader information set available for management in the decision making process. According to resource dependency theory, independent directors have access to valuable knowledge and relationship resources such as individual expertise and social networks which can be leveraged in their roles on the board (Pfeffer and Salancik, 2003). Similarly, independent directors' unique experiences garnered in other companies can be useful for high-level board decision-making

Ibarra (2003) assert that as female directors bring unique and valuable resources and relationships to their boards, compared to male managers, female managers generally have more diverse networks. This position was recently supported by a study among the Italian directors that suggests that female directors' networks are defined by the important role of families and that when women grow their networks over time, female directors do not possess a very high position in a global network of interlocking directors except in those cases of a female director on a family firm (Drago et al. 2011). Therefore, it can safely be concluded that women may understand certain markets and consumers better than their male counterparts. Hence board gender diversity can enhance overall creativity and innovation with respect to problem solving.

2.2.3 Upper Echelon Theory

The Upper Echelons Theory was advanced by Hambrick and Mason (1984) and describes how executives' behaviour may be explained by personal experiences and values. It argues that executives' prior experiences are especially salient in board roles such that independent directors should be more likely to leverage their vast and diverse sets of knowledge and skills and thereby improve a firm performance.

According to Carter et al., (2010) the directors education, experience and skills level will benefit the organization and the more diverse these characteristics, the better for a firm. Based on this, the upper echelon theory opines that board diversity capital is a key determinant in regards to the financial performance of companies. As differences in gender also result in difference in the human capital, this theory is highly relevant when discussing the diversity-performance relationship (Terjesen et al., 2008). The upper echelon theory predicts that the performance of a corporate board will be affected by board diversity in a number of ways but the direction of this effect can be both positive and negative (Carter et al., 2010).

2.3 Determinants of Financial Performance

The insurers' level of profitability is influenced by both internal and external factors. The internal factors are caused by the insurer's specific characteristics while the external factors are caused by the industry features and macroeconomic variables.

2.3.1 Enterprise Risk Management

There is a general view that firms in financial service industries are more likely to implement ERM and from this implementation are able to increase corporate governance and market efficiency due to increased oversight of managerial risk-taking (Hoyt & Liebenberg 2011). The relationship however remains inconclusive in that while Hoyt and Liebenberg (2011) suggest existence of a correlation between ERM and firm value, other scholars found a positive relationship in the financial services industry. A similar finding is found by McShane *et al.* (2011) whose suggest that the relationship between ERM and firm value is positive and significant in firms with low or adequate ERM ratings. In the same study, there was no significant

evidence of such existence in firms with strong or excellent ERM ratings. This therefore suggest that the specific nature of the relationship between ERM and firm value still remains inconclusive

Gordon, Loeb and Tseng (2009) further support the position that ERM has a positive impact on firm value; but the extent of the effect depend on the internal characteristics of a firms such as firm size and complexity. A clearer cut finding is that of Hoyt *et al.* who found in a study of 125 publicly traded insurance firms in the United States that accrued ERM premium on firm value was approximately 17% of firm value. The extent of the underwriting risk of a firm has also been postulated to influence the firm's value. Sound underwriting guidelines are important to an insurer's financial performance and that the underwriting risk depends on the risk appetite of the insurers. The ratio of benefits incurred to net premium is a measure of underwriting risk (Mirie & Murigu, 2015).

2.3.2 Firm Size

Another critical variable that influences the relationship between ERM and firm value is firm size (Rahaman, 2011) and more recently, its importance as a differentiator between firms with ERM programmes is becoming clearer from the recent studies in ERM for the advocacy of the 'decentralised' systems of ERM management as opposed to the more centralised management of risk. In a study among the finance managers, Deloitte (2012) find that both forms of risk management have its strengths and weaknesses for coping with the interrelated challenges of managerial control, oversight and strategic agility that matter for larger firms in particular. Larger insurance firms enjoy greater market power and therefore have greater underwriting capacity which allows them to more lucrative risky activities that would otherwise be

transferred to reinsurance markets, and to grow their catastrophe and claims equalisations reserves as a precaution against large claims bursts.

Liebenberg and Sommer (2008) highlight that large firms have in addition greater capacity for diversification because they have a capacity to vary resources across their lines of business and help survive the turbulence that come about from the insurance business that change differently for each line of business insured. Therefore as McShane and Cox (2009) suggest, it is unsurprising that larger insurance companies generally achieve higher returns on equity (ROE). In addition, larger insurance companies have lower risk of bankruptcy because they enjoy economies of scale and scope and therefore are more efficient compared to small firms. Size can be determined by net premium which is the premium earned by an insurance company after deducting the reinsurance ceded. (Ahmed, Ahmed & Ahmed, 2010). Following earlier studies by Hoyt and Liebenberg (2011), the study will measure the size of the insurance firms by taking the natural logarithm of book value of equity as a proxy for firm size.

2.3.3 Leverage

A firms leverage refers to the extent of using debt to finance its assets and is an important variable that determines a firms value (Pagach & Warr 2011). The choice of debt by firms to finance their businesses operations is out of the fact that it can reduce investments of free cash flow by a firm into suboptimal projects by managers that will tend to pursue personal interest at the expense of the shareholder (Jensen 1986). In addition, there is tax benefit from the use of debt because interest payable is a tax deductible expense and this will reduce a firm's tax burden (MacKie-Mason 2000). Therefore, financial leverage can increase firm value.

Tahir & Razali (2011) posit that at higher levels of firm leverage lenders tend to become to insist that firms develop ERM and also institute appropriate corporate governance structures to help and minimise risk on their investments. This is because lenders will particularly get concerned when a firm's debt becomes considerably higher than its assets. In such cases the excessive leverage will increase the probability of financial distress, thus leading the firm towards bankruptcy. Remaining mindful of these issues around leverage, this study uses book value of liability divided by book value of equity as a proxy for leverage and proposes the third proposition:

2.3.4 Sales Growth

Earlier studies as far back as by Myers (1977) have shown that an insurance firm sales growth as positively impacting a firm value. Indeed, the influence of ERM's relative to that of sales growth, upon firm value is of interest considering the fact that aggressive and unsustainable growth of financial institutions prior to the global financial crisis is popularly viewed as a cultural problem that systems of risk management failed to address. Nonetheless, based on earlier studies by Maury (2006) and King and Santor (2008), it is taken that sales growth is likely to have a positive relationship with firm performance.

2.3.5 Age of the firm

Shiu (2004) posit that older firms are more experienced, have enjoyed the benefits of learning, are not prone to the risk of newness, and consequently enjoy superior performance. In addition, older firms enjoy the benefit from reputation effects, which allows them to earn a higher margin on sales. In addition, older firms are prone to inertia, and the bureaucratic characteristics of a firm that comes along with age that

might have made firms to develop appropriate routines, which are out of touch with changes in market conditions, in which case an inverse relationship between age and profitability or growth can be expected (Demirgüç- Kunt and Maksimovic, 2008).

Insurance programs around the world are highly variable and differ with respect to products, modes of distribution, management capacity, and institutional maturity and in numerous other ways. At the same time, the context and environment in which the programs evolved influence a programs development and performance (Garand, 2010). Performance indicators aid in producing a realistic picture of insurance programs' overall performance in key areas.

Since the perspective is from the program as a whole, the indicators are applicable for all organizational types and models but are not always relevant for all insurance products (Garand, 2010). The key performance indicators in the insurance industry are grouped into four performance areas as Garand, (2010) explains: Product value, product awareness and satisfaction, service quality and financial prudence.

2.4 Empirical Studies

The relationship between board diversity and firm performance has attracted many studies. These studies have been undertaken in both developed and developing world with differing conclusions.

Alm and Winberg (2016) researched on the effect of gender diversity on Corporate boards on firm performance. The study was based on panel data for 255 companies over a period of six years Germany and using pair-wise correlation matrix to test for multicollinearity they found that there exist a statistically significant relationship between neither ROA nor Tobin's Q and the female gender variable shows that there

is no clear link between gender diversity-performance relationship. The study, as opposed to the present one looked at a multi-sectoral firm and therefore the findings might differ if only one sector is pursued. In addition, the governance structures in Germany, as a developed country, are different as is in Kenya, a developing country.

Terjesen, Couto and Francisco (2013) while adopting a multi-country study sought to establish the link between the presence of independent and women directors on firm performance. By using data from 3,876 public firms in 47 countries and controlling for a wide set of corporate governance mechanisms, they establish that firms with more female directors have higher firm performance as measured by Tobin's Q and accounting (return on assets) measures.

Zainali, Zulkifli and Saler (2013) undertook to determine the influence of corporate board diversity in Malaysia with bias to gender and nationality of board members in Malaysia. While using Mann-Whitney U test to identify several characteristics that differentiate between firms with women and foreign directors and those women and foreign directors, the study found little change in the presence of women directors and foreign directors over the five-year period, which shows a slow progress in board diversity in Malaysia. The study recommends that there is need to encourage board diversity in Malaysia.

Grosvold et al. (2007) undertook a longitudinal analysis of board gender diversity using the 1999 to 2005 data set and revealed that whilst the number of the U.K. firms with women directors reduce from 64 firms in the year 1999 to 58 firms and 57 firms in year 2000 and 2001 respectively, the number started to regain in year 2002 onwards. In the case of Norway, there have been an increasing number of firms with women directors from year 2001 to 2004. They found that a limited representation of

women and non-white directors on the board, and that the diversity was somewhat less pronounced among executive directors' positions.

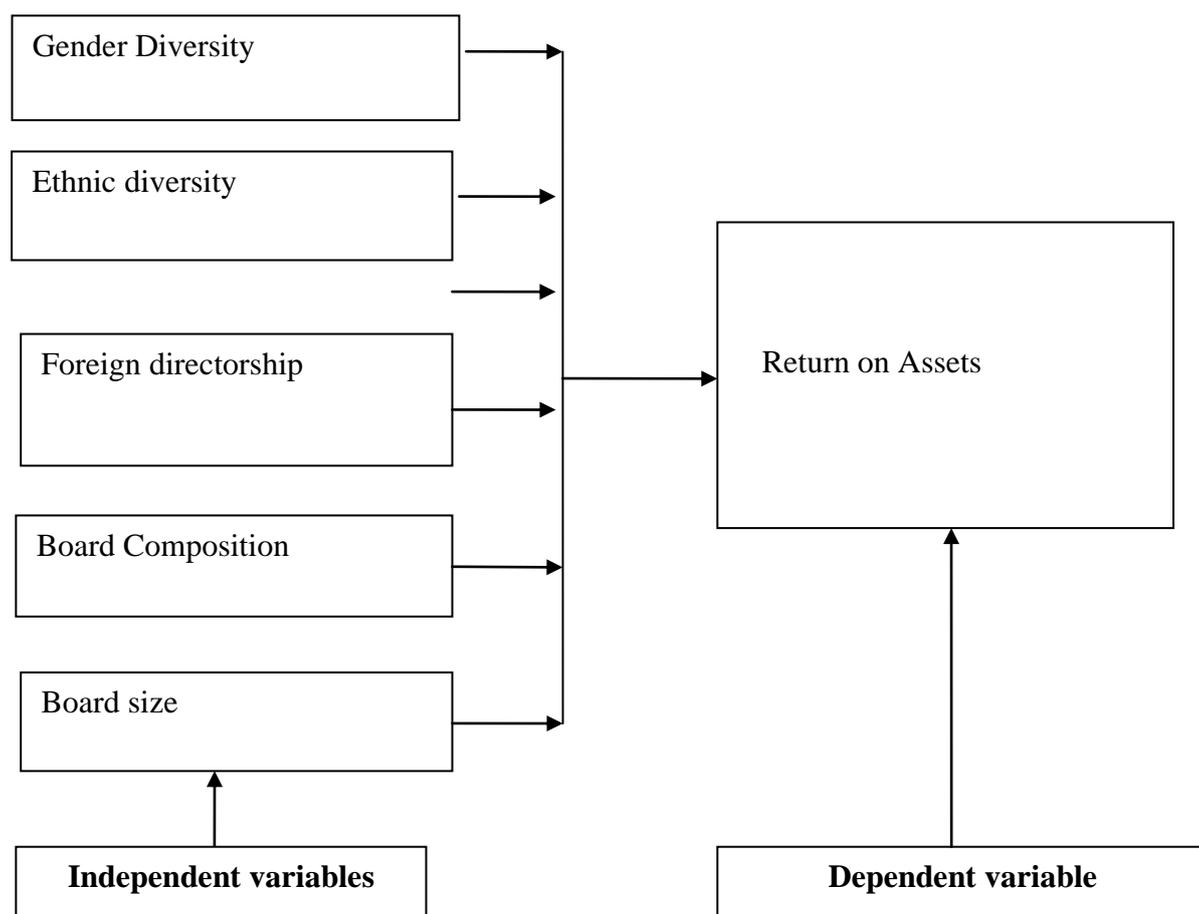
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Similarly, Ruigrok et al. (2007) investigated corporate board diversity in Swiss public listed firms and revealed that women directors are more likely to be affiliated to firm management through family ties and that foreign directors tend to be more independent and hold significantly lower numbers of directorships in other Swiss boards. Women and foreign directors differ in terms of their educational background and level, age and board tenure (Ruigrok et al. 2007). Consequently, they highlighted the need to understand the characteristics, qualifications and affiliations of board members to manage corporate board diversity.

Ujunwa (2012), Daunfeldt and Rudholm (2006) who also noted positive correlation between nationality and firm financial performance. Marimuthu (2008) noted positive correlation between ethnic compositions on the boards and firm financial performance.

2.5 Conceptual Framework

The study is guided by a conceptual framework to depict relationship between variables. The independent variables in the study was: gender diversity, ethnic diversity, foreign directorship, board composition and board size. In the study the insurance firm performance was measured by return on assets.



Source; Researcher, 2017

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that was used in the study. It focuses on the research design, data collection methods and comes to a conclusion with the data analysis and data presentation methods that was used in this study.

3.2 Research Design

The study used a descriptive survey research design because it allowed the researcher to collect data to answer to research question. The choice of descriptive survey research was informed by the nature of the data the study sought which was quantitative data in nature .

3.3 Population of the Study

The population of the study was 48 Insurance firms in Kenya (Appendix II). This formed the study population

3.4 Sample

Systematic sampling design was adopted in the study. From the list provided in Appendix II, the researcher sampled every even numbered insurance firm. From this sampling design, the insurance firms that formed the sample frame was 20 firms. According to Kothari (2008), a representative sample is one which is at least 10% of the population and since from this sampling technique 50% of the population was sampled

3.5 Data Collection

The study used secondary data only. The secondary data was obtained from the insurance firms' annual reports and financial statements from 2012 – 2016 from the sampled insurance firms. From the financial statements, the researcher collected data on the insurance firm's data on gender diversity, ethnic diversity, foreign directorship, board composition and board size. In addition, the total assets and profit after tax was collected.

3.6 Reliability and Validity

To establish the validity of the research instruments the researcher sought opinions of experts in the field of study especially finance and company secretaries' managers in the local investment firms. This enabled the modification and revision of the research instrument thereby enhancing validity. Further, the time between the test run and actual study was short enough to avoid historical effects. On the other hand, reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method. To ensure reliability, the study adopted the test retest technique. This can be achieved by testing the questionnaire on a smaller group of my census to test its consistency and adjust for any inconsistencies before the real field work can begin

3.7 Data Analysis

Data was analyzed using SPSS Version 22. Correlation analysis was carried out to find out the association between variables. Descriptive statistics such as mean and standard deviation was also used to delineate variable characteristics. Regression analysis was used to establish the relationship between the independent and dependent variables.

The model of analysis took the following form:

$$ROA = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

ROA = Return on Assets (net profit / total assets)

X_1 = Gender density , % of women member in the board (No. of female /Total board members)

X_2 = Ethnic diversity, measured as a dummy variable taking the value of 1 if the board consists of persons from different ethnic backgrounds

X_3 = Foreign directorship, % of foreign directors on a board

X_4 = Board composition (non executive directors /Total board Members)

X_5 = Board size squared of board of directors of a firm in a particular year

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

The chapter present data analysis, data presentation and discussion of the results on board diversity practices among the insurance companies in Kenya and to determine the relationship between board diversity and financial performance of Insurance firms in Kenya . The study adopted Descriptive analysis mean and standard deviations to determine the extent to which board diversity affect financial performance of insurance companies in Kenya and inferential statistics correlation and panel regression analysis to determine the relationship between variables. Regression analysis was used to establish the relationship between the independent variables gender density, ethnic diversity, foreign directorship, Board composition and Board size and financial performance as dependent variable.

4.2 Descriptive Statistics

The study sought to collect and analyse consolidated data from the 20 insurance companies in Kenya. Secondary data was obtained from annual financial reports published by the insurance companies. From financial reports and statements, information on ROA, gender diversity, ethnicity, and foreign directorship was extracted. Data on board composition and board size was extracted. The data collected was for the period 2012-2016.

Table 4. 1: Descriptive Analysis on Board Diversity and Financial Performance for 2012 to 2016

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	20	-1.052	0.853	0.794	0.281
Gender density (FEM BOARD)	20	0.000	0.577	0.538	0.031
Ethnic Diversity (Ethnicity)	20	0.027	1.683	0.459	0.064
Foreign directorship (MIN BOARD)	20	0.000	0.641	0.485	0.153
Board composition (BCOMP)	20	0.021	0.715	0.638	0.108
Board size (BSIZE)	20	7.01	11.42	9.69	0.211

Table 4.1 present descriptive results. From the findings, return on assets of the insurance companies achieved had attained an average of 0.794 with a standard deviation of 0.281 with a Max Mean of 0.853, Min Mean of -1.052 and standard deviation of 0.281. This implies that board diversity influence financial performance in insurance companies in Kenya. On gender diversity (FEM BOARD) , the mean of women in the board lies between 0.000(Min Mean) and 0.577 (Max Mean) at 0.538 with a standard deviation of 0.031 indicating that the variance from the mean of low . This implied that increase in female number in board membership have a positive effective on return on assets of Insurance companies in Kenya. On ethnic diversity the mean lies between 0.027 (Min Mean) and 1.683 (Max Mean) at 0.459 with a low variance as indicated by a standard deviation of 0.064. The implication is that constituting board members from individual from different ethnicity would improve return on asset in Insurance companies in Kenya.

While mean of Foreign directorship lied between 0.000(Min Mean) and 0.641(Max mean) at 0.485 indicating that a low variance as indicated by a standard deviation of 0.153. Descriptive results on Board composition had a mean of 0.638 with a Min Mean of 0.021 and Max Mean of 0.715 of Non Executive board. This implied that on average, board members are composed on Non-executive and executive to achieve increase in returns of assets among the Insurance Companies. The results indicated that the average mean of Board size had a mean of 9.69 with a variance and indicated by a standard deviation of 0.211 which lies between a Min Mean of 7.01 and a Max Mean of 11.42. The mean positive hence board diversity influence financial performance in insurance companies in Kenya.

4.3 Diagnostic Statistics

Table 4. 2: Diagnostic Statistics

Indicator	collinearity		Normality Test
	Torelance	VIF	KURT
Gender density (FEM BOARD)	2.715	6.071	5.521
Ethnic Diversity (ETHINICITY)	1.539	4.618	-2.6657
Foreign directorship (MIN BOARD)	2.003	3.002	-1.2415
Board composition (BCOMP)	1.804	2.971	3.7462
Board size (BSIZE)	1.698	5.783	4.7051

The results on collinearity, the study established that Torelance for the Independent variables had a Torelance Value greater than 1 as gender diversity was 2.715, ethnic diversity had tolerance of 1.539, Foreign directorship had 2003; Board composition had 1.804 while that of Board size was 1.996.

The VIF of the IVs were 6.071, for Gender density 4.618 for ethnic diversity Foreign directorship had a VIF of 0.573 while Credit Risk Mitigation had VIF of 3.002, Board composition had VIF of 2.971 while VIF for board size was 5.783. Multicollinearity did not exist as Tolerance for the independent variables >11 and VIF > 10 or an average much > 1. On normality test, the study used Kurtosis test. The study established that gender density, Board composition and Board size had KURT of 5.521, 3.7462 and 4.7051 respectively indicating a relatively peaked distribution among all the insurance companies. The study established that Ethnic Diversity, Foreign directorship had a KURT of -2.6657 and -1.2415 respectively indicating data exhibited a have platy-kurtic distribution hence data not normally distributed.

The assumptions of most parametric methods are; homoscedasticity, normality, additivity, linearity. One type of data transformation that was done was the logarithmic transformation. In this study, a multiplicative relationship between independent variables assumed to influence the dependent variable. Therefore, the model was specified as

$$\log Y = \log k + \beta_1 \log \text{Gender Ethnicity} + \beta_2 \log \text{Ethnic Diversity} + \beta_3 \log \text{Foreign Director} + \beta_4 \log \text{Board Composition} + \beta_5 \log \text{Board Size} + \varepsilon = \text{error term}$$

4.3 Correlation Analysis between Board Diversity and Financial Performance in Insurance Companies in Kenya

Table 4. 3: Correlation between Board Diversity and Return on Assets of Insurance Companies in Kenya

		(ROA)
FEM BOARD	Pearson Correlation	.817**
ETHNICITY	Pearson Correlation	.739*
MIN BOARD	Pearson Correlation	.783**
BCOMP	Pearson Correlation	.709**
BSIZE	Pearson Correlation	-.509*

**-Correlation is significant at the 0.01 (2 tailed)

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

The correlation between board diversity and financial performance both in strength and direction (+ve or -ve) were determined using Pearson Product Moment correlation coefficient. This would help in assessing whether there exist significant relationship between independent variables and dependent before further regression analysis. The correlation coefficient of 0.7 and above was strong, 0.4-and > 0.7 was assigned moderate 0 and >0.4 was weak. A correlation coefficient of 0.9 ($r > 0.9$) there exist high multicollinearity which may led to unreliable regression model (Dancey & Reidy, 2011). The results in Table 4.3 there exist strong, significant and positive correlation between gender diversity and return on Assets as $r=0.817$, $P V=0.001$). The implication is that an increase in female members in the board would significantly and positively increase level of return on assets

The correlation results indicated that there exist is a moderate and positive and significant correlation between board ethnicity and ROA as $r=0.739$, $Sig=0.000$. This implied that board ethnicity predict a positive and significant relationship with return on assets in insurance companies. The study found that foreign director has a strong

significant and positive correlation with ROA, $r=0.783$, $PV=0.000<0.05$. This implied that foreign director predict a significant and positive relationship with return on assets in insurance companies

The findings also indicated that there exist a strong, significant and positive relationship between Board Composition on return on assets, as $r=-0.709$, $PV=0.032$. This implied that board composition of non executive and executive predict a significant and positive relationship with return on asset in insurance companies. The study found that there exists a moderate and negative relationship between Board Size and ROA in insurance companies in Kenya. The implication is that board size exhibit a negative and significant relationship with return on assets in insurance companies in Kenya. .

4.6 Regression Analysis

A regression analysis between financial performance, ROA and the board diversity, FEM BOARD, ETHNICITY, MIN BOARD, BCOMP and BSIZE independent variables was performed.

Table 4. 4: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.853a	0.6972	0.6894	0.024

Independent Variables: (Constant), FEM BOARD, ETHNICITY, MIN BOARD, BCOMP, BSIZE

Dependent Variable: ROA

In Table 4.4 , Adjusted R^2 is called the coefficient of determination and indicated that there was great significant variation in board diversity as the value of adjusted R^2 is 0.6894 and standard error of 0.024. This implies that, there was a significant variation of 68.94% of ROA varied with variation in board diversity with confidence level of 95%., $P= 0.0021 < 0.05$

Table 4.5: Goodness of Fit

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.08	5	1.216	29.05	0.011a
Residual	20.79	14	1.485		
Total	26.87	19			

Independent Variables: (Constant), FEM BOARD, ETHNICITY, MIN BOARD, BCOMP and BSIZE

Dependent Variable: Financial Performance

The Results in Table 4.5 present analysis of variances in the regression model. These results indicate that the model had an F-ratio of 29.05 $P=0.011<0.05$. This result indicates that the overall regression model had a significant goodness of fit .This further indicates that use of board diversity would be statistically significant in predict ROA in insurance companies in Kenya.

Results in table 4.6 below present the test of the statistical significance of the independent variables in the model. This provides the estimates of independent variables, their standard error and the t-statistic.

Table 4. 6: Test of Significance of Independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.871	.481		9.089	0.021
FEM BOARD	0.5868	0.050	0.5689	11.736	0.000
ETHNICITY	0.6301	0.062	0.6031	10.163	0.011
MIN BOARD	0.5800	0.0504	0.7682	11.509	0.010
BCOMP	0.8041	0.067	0.775	12.004	0.0012
BSIZE	-0.7423	0.083	-0.6287	8.951	0.0011

a. Predictors: Independent Variables: (Constant), FEM BOARD, ETHNICITY, MIN BOARD, BCOMP and BSIZE

b. Dependent Variable: Financial Performance

The results regression model is

$$ROA = 5.871 + 0.5868X_1 + 0.6301X_2 + 0.5800X_3 + 0.8041X_4 - 0.7423X_5 + \varepsilon$$

Results in Table 4.6 show that ROA of insurance companies was significantly predicted by FEM BOARD ($\beta_1 = 0.5868$, $P = 0.000 < 0.05$). This implied that an increase in female in board would lead to significant increase in ROA in insurance companies. The results indicated that ETHNICITY significantly predict ROA ($\beta_2 = 0.6301$, $P = 0.011 < 0.05$), MIN BOARD predict a positively and significant n ROA in insurance companies ($\beta_3 = 0.5800$, $P = 0.01 < 0.05$) and BCOMP predict significant and positively the ROA in insurance companies ($\beta_4 = 0.8041$, $P = 0.0012 < 0.05$) while BSIZE predict significantly and negatively ROA in insurance companies, ($\beta_5 = -0.7423$, $P = 0.0011 < 0.05$)

4.5 Interpretation of Findings

From descriptive results. The study found that board diversity influence financial performance in insurance companies largely. From the findings, ROA of the insurance companies achieved had a mean of 0.794 with a Max Mean of 0.853, Min Mean of -1.052 and standard deviation of 0.281. On gender diversity (FEM BOARD) , the mean of women in the board lies between 0.000(Min Mean) and 0.577 (Max Mean) at 0.538 . On ethnic diversity (ETHNICITY) the mean lies between 0.027 (Min Mean) and 1.683 (Max Mean) at 0.459 while mean of Foreign directorship (MIN BOARD) lied between 0.000(Min Mean) and 0.641(Max mean) at 0.485. Descriptive results on Board composition) had a mean of 0.638 with a Min Mean of 0.021 and Max Mean of 0.715 of Non Executive board while Board size had a mean of 9.69 with a Min Mean of 7.01 and a Max Mean of 11.42 The mean return on asset was positive hence board diversity influence financial performance in insurance companies in Kenya to a great extent.

Correlation coefficient analysis revealed that there exist strong, significant and positive correlation between gender diversity and return on Assets as $r=0.817$, $P=0.001$). Further regression results found that ROA of insurance companies was significantly predicted by FEM BOARD ($\beta_1= 0.5868$, $P=0.000 < 0.05$). This implied that an increase in female in board would lead to significant increase in return on assets in insurance companies. The findings concurred with Terjesen, Couto and Franscisco (2013) who established that public firms with more female directors have higher firm performance as measured by Tobin's Q and accounting (return on assets) measures. Campbell further supports the results and Minguez-Vera (2008) who revealed that there exists a relationship between gender diversity of the board and

financial performance for a sample of companies from Spain and found that board gender diversity has a positive effect on firm value as measured by Tobin's Q.

Also correlation coefficient results found that there exist a moderate and positive correlation between board ethnicity and ROA as $r=0.739$, $PV=0.000$ while further regression results indicated that board ethnicity significantly predict ROA ($\beta_2 = 0.6301$, $P= 0.011 < 0.05$). The findings contradicted with Alm and Winberg (2016) who examined the effect of gender diversity on Corporate boards on firm performance for 255 companies over a period of six years Germany and using pair-wise correlation matrix to test for multicollinearity and revealed that there exist a statistically significant relationship between neither return on asset nor Tobin's Q and the female gender variable shows that there is no clear link between gender diversity-performance relationship. Marimuthu (2008) found that there exist a significant positive correlation between board ethnic compositions and financial performance in companies.

The findings indicated that foreign director predicted that there exist a strong significant and positive correlation with return on assets, $r=0.783$, $PV=0.000 < 0.05$. Further regression results indicated that foreign directors predict a positively and significant on return on assets in insurance companies ($\beta_3 = 0.5800$, $sig=0.01 < 0.05$). This implied that an increase in foreign director members would increase in financial performance in insurance companies. The findings were consistent with Zainali, Zulkifli and Saler (2013) that nationality of board members in Malaysia that is presence of foreign directors over the five-year period led to progress in achievement of financial returns.

The correlation results predicted that there exist a strong, significant and positive relationship between Board Composition on return on assets, as $r= - 0.709$,

PV=0.032. Regression results indicated that board composition predicted significant and positively ROA in insurance companies ($\beta_4 = -0.8041$, $P=0.0012 < 0.05$). The results were consistent with Ujunwa (2012), who revealed that there exists positive correlation between board composition make up of non-executive, executive, and firm financial performance. The study found that there exist a moderate and negative relationship between Board Size and return on assets in insurance companies in Kenya. Board size predict significantly and negatively return on assets in insurance companies, ($\beta_5 = -0.7423$, $P=0.0011 < 0.05$).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings; the conclusion and the recommendations on the relationship between board diversity and financial performance in insurance companies in Kenya.

5.2 Summary of Key Findings

The study sought to examine the relationship between board diversity and financial performance of Insurance firms in Kenya. To achieve the research objective the study adopted a descriptive survey research design and sampled 20 insurance companies. The used secondary data collected from annual financial reports.

From the descriptive results, the study revealed that board diversity influence financial performance in insurance companies to a great extent and gender diversity), ethnic diversity, Foreign directorship, Board composition in respect to presence of Non Executive board and Board size led to increase in ROA in insurance companies.

The study revealed that there exist strong, significant and positive correlation between gender diversity that is increase is female directorsthat is increase in women in the board and return on assets) as $r=0.817$, $P V=0.001$). Further regression results found that return on assets of insurance companies was significantly predicted by female board members ($\beta_1= 0.5868$, $sig=0.000 < 0.05$). Increase in women in board membership would lead to significant improvement in return on assets in insurance companies

The results revealed that ethnic diversity in board d members would results into

increase in return on assets in insurance companies. The correlation coefficient results found that there exist a moderate and positive correlation between board ethnicity and that further regression results indicated that board ethnicity significantly predict return on assets. Increase in ethnicity diversity on corporate boards would increase financial returns in insurance companies in Kenya.

Increase in foreign director would lead to increase return on assets, $r=0.783$, $PV=0.000<0.05$ and that increase in foreign board members increase return on assets in insurance companies in Kenya. Incorporating board membership of different nationality thus presence of foreign directors led to progress in achievement of financial returns.

The study established that there exists a strong, significant and positive relationship between Board Composition on return on assets. Increase mixture on non executive board members in the board would have a significant and positively return on assets in insurance companies .The study however, revealed that board size had a negative effect on financial performance in insurance companies in Kenya board size predict significantly and negatively return on assets in insurance companies in Kenya.

5.3 Conclusions

The study concluded that gender diversity, increase in female member of the board that an increase of women in the board increase return on assets as regression results found gender diversity predicts increase in return on assets of insurance companies and that increase in women in board membership would lead to significant improvement in return on assets in insurance companies

The study concludes that ethnic diversity in the company board members would results into increase in return on assets in insurance companies. Regression results

revealed that board ethnicity significantly predict return on assets and that increase in ethnicity diversity on corporate boards would increase financial returns in insurance companies in Kenya.

Increase in foreign director would lead to increase return on assets and that increase in foreign board members increase return on assets in insurance companies in Kenya. Incorporating board membership of different nationality thus presence of foreign directors led to progress in achievement of financial returns.

The study concludes that there exists a strong, significant and positive relationship between Board Composition on return on assets. Increase mixture on non executive board members in the board would have a significant and positively return on assets in insurance companies. The study concluded that board size had a negative effect on financial performance in insurance companies in Kenya board size predict significantly and negatively return on assets in insurance companies in Kenya. Increase in board size would reduce financial returns in insurance companies in Kenya.

5.4 Policy Recommendations

From the conclusion, the study recommend that management of insurance companies should increase gender diversity in board members by increase of female directors in the board .This is because the study established that increase in female members in the board would positively increase return on assets

The study recommends that the companies should consider ethnicity in constituting board members. The study established that ethnic diversity board ethnicity significantly predict return on assets and that increase in ethnicity diversity on Corporate boards would increase financial returns in insurance companies in Kenya.

On policy framework, the study recommend that government through regulatory authority such as Capital Markets Authority (CMA), the shareholders and Association of Insurance Authority develop a policy measures to formulate framework to improve board diversity by increasing proportion of nationality of foreign director members in the board to increase financial returns in the companies. Increase in foreign director would lead to increase return on assets and that increase in foreign board members increase return on assets in insurance companies in Kenya.

The study recommends that management in insurance companies and other financial institution should increase Non-executive board membership in the board. This is informed by the results that there exist a strong, significant and positive relationship between Board Composition on return on assets and that Increase mixture on non-executive board members in the board would have a significant and positively return on assets in insurance companies.

The results that board size had a negative effect on financial performance in insurance companies in Kenya led to recommendation that management should sought a policy framework on the optimum size that would not negatively affect company's financial performance.

5.5 Limitations of the Study

The study examines the relationship between board diversity and financial performance of insurance companies in Kenya. Some management of the insurance companies was reluctant in offering data as they consider it sensitive. The researcher informed the management the data would be used for academic purpose only.

The findings of this study may not also be generalized to all listed firms but can be used as a reference to listed firms in developing countries since they face almost the same challenges due to the same prevailing economic situations as opposed to listed firms in developed countries.

Factors such as change in economic status and change in regulatory framework from the capital market. This study therefore may not reflect the true relationship between board diversity across all the insurance companies and other companies for a long period of say 10 years to 15 years.

This study was dependent on financial records and annual reports from insurance companies but some insurance management were unwilling to offer such information. However, the researcher explained to the management that the sought information was just for academic research and would use for academic research and confidentiality in handling such data.

Another limitation was that, majority of the small insurance companies, though they formed part of the sample size, some had not fully diversify their board such that there were no information on gender composition or no foreign board members and information collected could not therefore form a clear comparison on the relationship between board diversity and financial performance.

5.6 Suggestions for Further Research

This study was concerned with the relationship between corporate board diversity and financial performance of Insurance firms in Kenya. A further study should be carried out to consider the relationship between board diversity and financial performance of listed companies in Nairobi Security exchange. A further study should be carried out

to determine the effects of board demographic diversity on financial performance in insurance companies and other companies in other companies.

This study depended solely on secondary data. The study recommends that future studies could also gather primary data from the staffs and the management to get their opinion for board and clear understanding of influence of board diversity on financial performance in insurance companies. The study found out that there has been increased adoption of internet banking by the financial institutions. The researcher recommends that a further research should be conducted in consideration of long period of study say 10 years and incorporates more board diversity like age and education level of the board members. Consequently, there would be a need to carry out a study on the relationship between board characteristics, qualifications and affiliations of board members in management of corporate board diversity and financial performance.

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Appendix II: Data Capture Form

Items	Survey items	Variables	2012	2013	2014	2015	2016
Board size	Total number of directors squared	Number					
Board composition	Ratio of non-executive directors to total directorship	Non-executive directors Total number of directors Ratio					
Ethnic diversity	Board is composed of persons of different ethnicity	yes					
		No					
Gender Diversity	Ratio of female directors to total number of directors	Female Total directors Ratio					
Foreign directors	Ratio of foreign directors	Foreign directors Total directors Ratio					

Appendix II: A List of Insurance Companies In Kenya

1. Africa Merchant Assurance Co. Ltd
2. APA Insurance Company Ltd
3. Britam General Insurance Company
4. Canon Assurance Company Ltd
5. Capex Life Assurance Ltd
6. CIC General Insurance Company
7. Corporate Insurance Company Ltd
8. Direct Line Assurance Company Ltd
9. Fidelity Shield Insurance Company
10. First Assurance Company Ltd
11. Gateway Insurance Company Ltd
12. Geminia Insurance Company Ltd
13. ICEA LION General Insurance Company
14. Jubilee Insurance Company Ltd
15. Kenyan Alliance Insurance Company
16. Madison Insurance Company Ltd
17. Mayfair Insurance Company Ltd
18. Metropolitan Canon Life Assurance Company Ltd
19. Phoenix Assurance Group
20. Pioneer Life Assurance Company Ltd

Sources: Insurance Regulatory Authority (IRA), (2017); *The Performance of Micro-insurance Business in Kenya.*(Unpublished).

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Appendix III: DATA COLLECTION SHEET FOR THE BOARD DIVERSITY AND FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN KENYA

Company	Gender Diversity (Total women director. Total Directors)	STD of ethnicity	Board size (Size sqrd)	Board composition(Non-executive directors / Total number of directors	Foreign directors	ROA
Africa Merchant Assurance Co. Ltd	0.2016	0.581	64	0.625	0.666	0.702
APA Insurance Company Ltd	0.2514	1.876	81	0.666	0.465	0.893
Britam General Insurance Company	0.3902	1.223	100	0.800	0.287	1.547
Canon Assurance Company Ltd	0.3565	1.578	49	1.00	0.125	0.794
Capex Life Assurance Ltd	0.4090	1.587	36	0.571	0.287	-1.101
CIC General Insurance Company	0.4811	1.4067	121	0.333	0.111	0.905
Corporate Insurance Company Ltd	0.4798	0.285	49	0.714	0.429	0.794
Direct Line Assurance Company Ltd	0.3131	0.458	49	0.333	0.287	0.825
Fidelity Shield Insurance Company	0.3595	1.3013	100	0.300	0.122	0.673
First Assurance Company Ltd	0.3595	0.926	49	1.000	0.287	0.994
Gateway Insurance Company Ltd	0.3015	1.313	64	0.333	0.535	0.794

Geminia Insurance Company Ltd	0.3506	1.235	81	0.778	0.333	0.796
ICEA LION General Insurance Company	0.3668	0.844	49	0.333	0.287	0.812
Jubilee Insurance Company Ltd	0.2171	1.159	121	0.545	0.429	0.905
Kenyan Alliance Insurance Company	0.2823	1.511	49	1.000	0.125	0.794
Madison Insurance Company Ltd	0.2926	1.267	49	0.111	0.412	0.794
Mayfair Insurance Company Ltd	0.2640	0.813	36	0.333	0.333	0.794
Metropolitan Canon Life Assurance Company Ltd	0.3454	1.057	49	0.000	0.125	-1.089
Phoenix Assurance Group	0.4618	0.701	64	0.750	0.250	0.342
Pioneer Life Assurance Company Ltd	0.3823	0.485	64	0.75	0.287	0.469
UAP Life Assurance Company Ltd	0.3292	0.491	36	0.000	0.426	0.809