THE EFFECT OF MERGERS AND ACQUISITION ON FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN KENYA

BY

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DECLARATION

This Research Project is my original work and has not been presented for a degree in any other university.

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This Research Project has been submitted for examinations with my approval as the university supervisor.

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DEDICATION

I dedicate this project to my family and friends for their kindness and devotion, and also for their endless support.

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LIST OF ABBREVIATION AND ACRONYMS

CAK Competition Authority of Kenya

EAC East African Community

FDI Foreign Direct Investment

GAB Gulf African Bank

GDP Gross Domestic Product

IMF International Monetary Fund

KCB Kenya Commercial Bank

SPSS Statistical Package for Social Sciences

USD United States Dollars

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ABSTRACT

Mergers and acquisitions (M&A) world over in the past few years have increasingly been experienced. They occur due to changes in the operating environment aimed at realizing synergies that will boost future cash flows thereby enhancing firm's value. Just like other companies operating in Kenyan; insurance companies are faced with stiffer competition both in price competition as well as in brand leadership, decreasing brand loyalty and increased value-consciousness among consumers. All these emerging threats have prompted many insurance companies to adopt alternative survival strategies such as Mergers and Acquisitions in an attempt to consolidate their resources by minimizing costs and capitalizing on their increased bargaining power. This study was anchored on the shareholder wealth Maximization theory and the resource based-view theory. The Research Objective was to establish the effects of mergers and acquisitions on the financial performance of insurance firms in Kenya. The research adopted an analytical research design. The target population comprised those insurance companies in Kenya that have been engaged in the Mergers and acquisitions over the past fifteen years. This was made up of 24 insurance companies that merged into 10 insurance companies. Data sources involved the use of secondary data using audited financial statements covering the 6-year study period; three for pre-merger and three for post merger. Data analysis was undertaken using descriptive statistics, trend analysis, chi-square tests and regression analysis. The findings indicate that there was a statistically significant the effect of pre and post-merger and acquisition performances of insurance companies. This is because the significance figure was less than 0.05 ($p \leq 0.5$). Using regression model, the study established that adoption of mergers and acquisitions enhances the financial Performance of insurance firms in Kenya .The independent variables that were studied explain a substantial 91% of the increase in financial performance of as represented by adjusted R2 (0.901).

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The business environment today is dynamic due to factors such as recession, globalization and use of information technology in conducting business. These factors affect business operation of companies in different industries. One of the ways these companies mitigate undiversifiable risk is through mergers and acquisition (M&A). Krug and William (2009) define a merger as the result of the combination of businesses occurring where two entities in similar or different business lines resolve to join forces to improve operations. Acquisitions can be seen as business combination in which one company takes over the control and operations of another existing company (Rani, Yadav & Jain, 2013). Decisions on merger and acquisition arrangements need a thoughtful attention and focus need to be put when firms make acquisition since it could influence the bidder firm's financial performance. Merger and acquisition become effective if combined effect occur in the forms of financial synergy, operational, as well as managerial synergy (Azhagaiah & Sathishkumar, 2014).

Researchers have endeavored to find justifications to the activities of mergers and acquisitions. These justifications have advanced into testable hypotheses. The following are some significant theories of mergers and acquisitions. The efficiency theory of mergers sees mergers as compelling apparatuses to receive rewards of cooperative energy. As per this hypothesis, mergers and acquisitions are arranged and executed to accomplish collaborations (Wadhwa & Syamala, 2015). Besides, Feinberg (1985) thought of the market power hypothesis which recommends that expanded 'allocative' collaborations offers the firm positive and noteworthy private advantages since holding every single other

factor steady, firms with more prominent market control charge higher costs and win more noteworthy edges through the apportionment of purchaser excess (Weitzel & McCarthy, 2009).

The research study tries to arrange mergers and acquisitions in the Kenyan assurance industry in perspective of the way that the Kenyan assurance industry is a basic piece of the entire budgetary framework. Other than commercial banks, insurance agencies altogether add to financial intermediation of the economy. Andoh, & Abor (2012) stipulate their prosperity implies the accomplishment of the economy; their disappointment implies inability to the economy.

There are several insurance companies in Kenya with their headquarters are majorly based in Kenyan capital Nairobi. They as well good network of branches across the country. Insurance companies attempt to improve their financial performance by putting in place effective time management systems, billing all appropriate time to customers. Implementing controls and processes to reduce non-billable time for instance admin, correcting errors and many more, putting in place adequate systems for all recurring revenue so that all renewals are renewed at suitable price including any added elements from previous. Another way they improve their financial performance is by maximizing existing resources utilization as well as materials and man power. These will help reduce cost of production and subsequently there will be reduction in the outflow (Griffin & Mahon, 1997).

1.1.1 Mergers and Acquisition

As indicated by Kovacich and Halibozek (2005) an acquisition once in a while alluded to as a takeover, or buyout or a buy business blend as a state where one firm usually referred to as a predator or acquirer takes over another firm usually referred to as the target company cease to exist. Lole (2012) asserts that acquisitions occur when one company (commonly the lager one) simply agrees to buy another firm. According to Nakamura (2005) an acquisition occurs at the point when a firm gain all or part of the objective firm's assets and the objective keeps being a legitimate entity after the exchange while in an offer acquisition an organization purchases a specific offer.

From the business structures viewpoint, there are different sorts of mergers. They are separated by the connection between the two firms that are merging. Merger or amalgamation may take two structures: merger through retention or merger through union. Mergers can correspondingly be ordered into three sorts from a financial perspective relying upon the business combinations, regardless of whether inside the same or distinctive industry, into horizontal merger (Two firms that are in specifically contending and have comparable product offerings and additionally showcases), vertical merger (A customer and firm or a provider and firm. Think about a cone provider converging with a frozen yogurt creator) and aggregation. From a lawful perspective, there are different sorts of mergers for example short frame merger, statutory merger, merger of equivalents and backup merger.

A measurement is essential in helping in understanding the financial progress of individual's efforts. For instance, earnings-per-share is an essential measurement of a firm and the board of directors is critically interested in enhancing valued policies and in seeing

the firm grows. Merging and acquiring another firm enables an enterprise's revenues grow, however it's also essential for investors to see that you can enhance earnings by taking in the new firm into the parent and continue operating effectively (Wang & Moini, 2012).

1.1.2 Financial Performance

Healy and Ruback (1992) define financial performance as the measure of how well an organization can utilize resources from its essential method for business and make incomes. As indicated by Farlex Financial Dictionary (2009) financial performance is any of various diverse scientific measures to build up how well a firm is using its assets to produce benefit. Financial performance illustrations include working pay, profit before interest expense and taxes, and net resource value. Over a given time frame, financial performance is seen as a general measure of financial well-being of an organization (Mboroto, 2012). It can be used to relate equivalent firms over a similar industry or to look at businesses or parts in gathering or organization's execution crosswise over time; in this instance before and after acquisition.

Measuring a firm's financial performance is a significant part of running a growing business. Several companies fail due to poor financial management or planning. Company's success depends upon designing and implementing comprehensive financial and management systems for instance updating the original business plan as way to start. There are several different techniques to measure a firms' financial performance. For instance, cash flow, stock and accounting based measures. Performance of firms can be assessed by way of carrying out diagnostic reviews. Akguc (1995) argue that ratio is the straightforward mathematical explanation of the connection between two recorded items in the financial statements.

By way of ratios, it is feasible to measure the strength of the liquidity, solvency and profitability of a firm. This ratio denotes the likely impact on capital and excess or deficits in reserves as a result of financial claims (Adams & Buckle, 2000). Three measures of profitability are utilized which contain; Return on Asset, Net revenue and Earnings before tax. Liquidity suggests the level to which commitment responsibilities coming due in the accompanying a year can be settled from cash or assets that will be changed into cash (Mwangi & Murigu, 2015). Measures of liquidity used comprise of; Current ratio and Quick ratio. Additionally, solvency shows a firm's capacity to meet long-term (Laitinen, 2000). Solvency is best directed by means of Aggregate Debt and aggregate Asset ratio.

1.1.3 Mergers and Acquisition and Performance

Creating of synergy is the major purpose of mergers and acquisitions (M&A). It in turns boost profitability, improve shareholders wealth, increases market power, fosters corporate growth and improve production efficiencies. Though M&A should constitute positive net present value projects, various studies have depicted a different picture on the outcome of M&A . This includes poor financial returns and failures. According to Bruner (2002) 70-80% of M&A do not create significant value above annual cost of capital.

Managers‟ presumptuousness about expected cooperative energies from M&A may bring about finished installment for the objective organization (Ireri, 2011). Previously, certain official administration groups had their payouts in light of the aggregate sum of benefits made by the organization, rather than the benefit per share, subsequently giving the group an unreasonable motivating force to purchase organizations with a specific end goal to expand the neighborhood benefit while diminishing the benefit per share thus managers‟ pay perhaps misfortune. Another

mishap is realm fabricating that includes managers developing huge organizations so as to have more power yet not for monetary purposes.

1.1.4 Insurance Companies in Kenya

The key players in the Kenyan assurance Industry contain; insurance agencies, reinsurance organizations, risk directors, insurance specialists and protection operators. The statute managing the business is the insurance Act; Laws of Kenya, Section 487. The Office of the commissioner of Insurance was made under its arrangements to help the administration of Ministry of Finance. Similarly, there exists self-regulation by the Association of Kenya Insurers (AKI). The professional body that is concerned with the professionals training of individuals in the industry is the Insurance Institute of Kenya (IIK). Lately, Insurance Regulatory Authority (IRA) was created to oversee and regulate the players in the insurance industry on behalf of the commissioner of insurance (Gilardi, 2004).

Insurance plays a crucial role in economic growth of a country as well as offering financial security to a person or a company against monetary losses suffered from unanticipated situations. This is as a result of the world is embodied by risks and uncertainties and insurance has developed as a means of offering security against these risks and uncertainties (Authority & Place, 2014). Insurance plays a crucial role by creating substantial effect on the economy through marshaling local reserve funds. Insurance change over collected capital into profitable ventures (Kiragu, 2014). Assurance aids misfortune moderation, financial soundness and encourages exchange and business exercises that prompt monetary development and advancement. Hence, protection assumes a basic part in practical development of an economy.

On the social significance, insurance as a social protection instrument is possibly what first comes to mind when asked to think about its benefits. Definitely, by lessening the impacts of events over one has no control over like accident, illness, death and natural disaster among others. Through alleviating or limiting financial load, insurance helps people to recover from unexpected adversity (Atkinson, 1991). In Kenya, the number of insurances companies if bigger that than the economy. Due to a large number of insurance firms in Nairobi, competition in the industry is similarly intensive as these firm's attempt to increase their market share and outperform their rivals they do so by coming up with mergers and acquisitions. The reasoning behind M&A is that two firms combined are more significant than two separate firms. The significant guideline behind procuring a firm is to make investor esteem exceeding the sum of the two firms (Cybo-Ottone & Murgia, 2000).

1.2 Research Problem

Mergers and acquisitions help in enhancing a firm's competitiveness and achieving competitive edge over other companies by accomplishing more noteworthy piece of the overall industry, increment the portfolio to direct business hazard, entering new markets and topographies, and exploit economies of scale (Saboo & Gopi, 2009). Myers and Majluf (1984) propose that benefit may be generated in mergers when companies rich in financial slack acquire slack poor companies. Mergers and acquisitions by insurance companies leads to enhances financial performance by reduction of tax burden. This occurs where one company is profitable while the other is not profitable. The loss making firm pays no tax but the tax burden for the profit making one will be smaller if the two firms merge which make their aggregate net profit lower leading to lower tax liability. In a situation of increased borrowings, the merged insurance companies may enjoy lower tax liability due

to the debt interest expense which is tax deductible. This consequently helps to enhance the profits as well as value of the shares of the firm (Weber, 1996).

The study seeks to focus on the insurance firms located in Nairobi since there are several insurance companies in Kenya with their headquarters are majorly based in Kenyan capital Nairobi. They as well good network of branches across the country. Due to a large number of insurance in Nairobi, competition in the industry is similarly intensive as these firm’s attempt to increase their market share and outperform their rivals.

In the international perspective, several studies that been conducted on the concept of mergers and acquisition and financial performance. For instance, Okpanachi (2011) carried out a study on a relative examination of the effect of mergers and acquisitions on financial productivity of banks in Nigeria. Liang (2013) led an examination to look at the effect of merger and securing declarations on organization's stock performance made by organizations recorded on the Hong Kong stock trade. From the investigation the examination uncovered that merger and obtaining declaration affect is critical over the occasion time frame and financial specialists can win anomalous return by exchanging a procuring organization 2 days before the declaration date. Abbas et al (2014) led an investigation to build up the effect of merger and acquisitions on financial performance of banks in Pakistan. The discoveries of the examination demonstrated that there is irrelevant distinction amongst pre and post-merger financial performance.

Similarly, numerous local studies have also been conducted on the two concepts. For instance, Kithinji (2007) led an examination to find out the impacts of mergers on financial performance of non-recorded banks in Kenya by focusing on the productivity of such banks

which had converged in the between 1994 and 2001. The results of the examination demonstrated that three execution measures: profit, return on assets and investors' equity/total assets had values over the significance level of 0.05 aside from the aggregate liabilities/add up to resources. Ireri (2011) led an exploration to build up the impacts of mergers and acquisitions on financial performance of insurance organizations in Kenya. The discoveries of the investigation demonstrated that financial performance was decidedly related with financial performance after the merger thus, according to the setting of the scientist; the insurance firms had a superior financial performance after the resulting merger and additionally obtaining. Lole (2012) did an examination to explore impacts of mergers and acquisitions on the financial performance of APA assurance in Kenya. The discoveries of the examination demonstrated that there was a solid association amongst mergers and financial performance.

Review of numerous empirical studies indicates that several and inconclusive results have been obtained on the effect of mergers and acquisitions the financial performance of companies. This study therefore seeks to fill this research gap by widening the scope of mergers and acquisitions to take account more insurance companies in the industry hence answering the research question: what is the effect of mergers and acquisitions on the financial performance of the Insurance companies in Kenya?

1.3 Research Objective

The objective of the study is to determine the effect of Mergers and acquisition on financial performance.

1.4 Value of Study

Scholars interested in conducting further research on the effect of mergers and acquisitions on the financial performance of insurance companies will understand the study subject and examine any research gaps not addressed by this study. Further, the study limitations in this research may be controlled for in further studies to improve the conclusiveness of the subsequent evidence from such studies. They will be able to borrow from this study's findings to support literary citations and also add theme for further research. The study particularly makes practical, theoretical and methodological contributions useful in the professional addition of the existing knowledge in strategic management.

The study will help policy makers such as the Insurance Regulatory Authority (IRA), to make sense of how well to decrease the dangers protection industry in Kenya confront. Mergers can be utilized as a technique to anticipate laws on demergers concerning composite guarantors. IRA is approved to guarantee that mergers and acquisitions in the protection business enhance financial productivity and upgrade the incentive for customers in light of these mergers. The inadequacy to do as such will bring up issue in regards to effectiveness with respect to the administrative body as its order is to shield clients in a similar industry from misery superfluous misfortunes.

Ultimately, the investigation will empower specialists build up whether mergers and acquisitions are making esteem or not. In the event that they do, it would be generous for them to contribute additional time and assets to improve the same. In the event that they not, it would be greatly improved for the specialists to apply more quality in upgrading proficiency and profitability.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of literature relating to mergers and acquisitions and financial performance as presented by various researchers. The chapter contains a theoretical foundation for the study, a discussion on financial performance and its determinants and a look into empirical studies related to the subject of this study. All the materials are drawn from a few sources that are firmly identified with the theme and destinations of this investigation.

2.2 Theoretical Review

Generally, there are two schools of thought on the effect mergers have on performance of firms: the value-expanding, efficient market school; and the value diminishing agency school. Under the value expanding, efficient market school this examination will depend on the hypothesis of efficiency, the market power hypothesis and the hypothesis of corporate control theories while for the value decreasing agency theory, the hypothesis of managerial hubris will be looked into.

2.2.1 Efficiency Theory

The efficiency hypothesis of mergers sees mergers as powerful instruments to receive rewards of cooperative energy. As indicated by this hypothesis, mergers and acquisitions are arranged and executed to accomplish cooperative energies (Wadhwa & Syamala, 2015). These collaborations can be in type of lessening in cost or increment in deals. This hypothesis recommends that, truth be told, mergers will just happen when they are relied upon to create enough feasible collaborations to make the arrangement useful to the two

gatherings; it is the symmetric desires of increases which brings about a 'well disposed' merger being proposed and acknowledged (Weitzel & McCarthy, 2009).

According to this theory three types of synergies can be realized through mergers and acquisitions which are: managerial financial and operational synergies. Financial synergies result in bringing down capital expense. Financial synergy is achieved through increasing the size of a company therefore giving it access to cheaper capital and through establishing an internal capital market giving the company an advantage of operating on superior information and hence more efficient capital allocation (Jensen, 1986). Operational synergies according to Porter (1985) can stem from knowledge transfers or from combining operations which then lowers the costs incurred by individual units.

The efficiency theory explains that mergers and acquisitions are done in order to benefit both the acquirer and target through financial, operational and managerial synergies. This theory therefore offers a theoretical foundation for this study by giving the expected direction for the effect that mergers and acquisitions will have on financial performance of a firm.

2.2.2 Market Power Theory

Feinberg (1985) thought of the market power hypothesis which proposes that expanded 'allocative' synergies offers the firm positive and noteworthy private advantages since holding every single other factor consistent, firms with more prominent market control charge higher costs and win more prominent edges through the apportionment of shopper excess (Weitzel & McCarthy, 2009). Horizontal mergers are a focal perspective while considering the connection amongst takeovers and expanded market control (Eckbo &

Wier, 1985). The argumentation is as per the following: The impetus for various organizations to modify their creation levels to coordinate each other relies on the observing expenses of tricky assentions from the business' point of view. Flat mergers diminish the quantity of autonomous providers in the commercial center. The lower the checking costs that is, the more prominent the probability that "bamboozling" is found, the better the strength, productivity and along these lines the engaging quality of cartel understandings (Edwards, 1955).

As per this hypothesis, mergers between two contenders will positively affect every single other provider in the pertinent market, as the likelihood of stable value understandings being achieved rises. This theory is therefore useful to this study since it offers a foundation through explaining the benefits that arise in an industry from horizontal mergers and acquisitions.

2.2.3 Theory of Corporate Control

Beyond simply synergistic gains, this theory provides another justification for why mergers must create value. The hypothesis of corporate control was first proposed by Manne (1965). This hypothesis proposes that there is constantly another firm or management group that works towards ensuring firm does not meet its goals in turn expel those supervisors who neglected to profit by the chances to make collaborations, and consequently enhance the execution of its advantages (Weitzel & McCarthy, 2009).

The theory of corporate control is therefore useful to this study in establishing how mergers and acquisitions in insurance companies in Kenya took place and therefore the effect they have had on the financial performance of these companies. This theory explains that mergers and acquisitions are inevitable in companies where management performs poorly.

This explains that mergers and acquisitions aim at improved performance of assets in a firm therefore suggesting a positive relation between mergers and acquisitions and financial performance.

2.2.4 Theory of Managerial Hubris

According to Roll (1986) supervisors might have huge expectations in broadening their company's esteem be that as it may. The hubris hypothesis explains why mergers and acquisitions occur even if the current market value of the target firm reflects its true economic value. Instead of accepting markets valuation, managers or bidders believe that their own valuation of target firm is superior and tend to overpay. Bidders get caught in hubris, an animal like spirit of arrogance and pride where they are optimistic in evaluating potential synergies. The desire to win can drive the purchase price of a company well in excess of its economic value. The winning bid is often in excess of the estimated value of a target company in an auction environment. Abundance premium paid for the objective organization benefits the investors however the investors of the getting organization endure a decrease of riches.

This theory explains that in case of over-estimated ability of the acquirer or over-estimated value of the target which results in overpayment, then the merger results in diminished firm performance. In looking at mergers and acquisitions and its effect in the insurance companies in Kenya, this theory is useful as it explains that mergers and acquisitions could have a value-decreasing effect on firm performance.

2.3 Determinants of Financial Performance

Financial performance measures how well organizations do as far as monetary returns. This is done through different assessment strategies and money related pointers (Ombui, 2016). In assurance, execution is typically communicated in net premiums earned, benefit from guaranteeing exercises and yearly turnover. Benefit execution incorporates the benefits measured in money related terms specifically the contrast amongst incomes and costs. Income and use are thus affected by firm particular qualities, industry highlights and macroeconomic factors.

Mergers and acquisitions is one of these determinants of financial performance. The effect of mergers and acquisitions on financial performance remains inconclusive with research showing both positive and negative causality (Weitzel & McCarthy, 2009). While mergers and acquisitions can result in enhanced financial performance resulting from financial, operational and managerial synergies, they can also result in decreased performance in case of failure where the bidder is not actually able to raise the performance of the target due to an over-estimation of its ability (Malmendier & Tate, 2008) or a failure due to excess liquidity (Martynova & Renneboog, 2008). Other determinants of financial performance include: leverage, liquidity, company size, company's age and external factors such as GDP and interest rate.

2.3.1 Leverage

Leverage is the extent of obligation to value in the capital structure of a firm (obligation/value proportion). This proportion demonstrates how much a business is using obtained cash. It reflects insurance agencies' capacity to deal with their financial

presentation to unforeseen misfortunes. It speaks to the potential effect on capital and excess of inadequacies available for later because of money related cases (Ombui, 2016). The monetary or use choice is a huge administrative choice since it impacts the investor's arrival and hazard and the market estimation of the firm.

2.3.2 Liquidity

Liquidity alludes to how much commitment responsibilities coming due in the accompanying a year can be paid from cash or assets that will be changed into cash. It is typically measured by the present advantages for current liabilities (current proportion). Liargovas and Skandalis (2008), contend that a firm can utilize fluid advantages for back its exercises and speculations when outer fund is not accessible. Then again, higher liquidity can enable a firm to manage sudden possibilities and to adapt to its commitments amid times of low profit.

2.3.3 Company size

The extent of the firm influences its monetary execution from multiple points of view. Expansive firms can misuse economies of scale and extension and in this way being more proficient contrasted with little firms. Moreover, unlike huge firms, little firms may have less power. In exceptionally focused markets, one might think that it’s rigid to rival the substantial firms. As firms end up noticeably bigger, they may experience the ill effects of wasteful aspects, prompting sub-par money related execution. Hypothesis, in this manner, is dubious on the exact connection amongst size and execution (Ombui, 2016).

2.3.4 Companies' Age

Age is another determinant of firm performance. The experience well established firms have given them a competitive edge. Being able to procure a higher edge on deals also increses their profit. Then again, more established firms are inclined to idleness, and the bureaucratic solidification that accompanies age; Liargovas & Skandalis (2008) state that they may have created schedules, which are distant from changes in economic situations, in which case a converse connection amongst age and benefit or development could be watched.

2.3.5 External Factors

These components incorporate expansion, GDP (Gross domestic product), financing cost and political solidness. A high Gross domestic product implies a nation is performing admirably fiscally in this way financially steady. The higher the Gross domestic product of a nation, the higher the reserve funds from its populace since a great many people have a tendency to do well monetarily. Loan cost is likewise another vital monetary variable since it impacts how an organization performs as far as getting from people in general and putting something aside for its investors. Political dependability is additionally critical in guaranteeing that organizations flourish and organizations do well monetarily.

2.4 Empirical Studies

This section covers empirical studies on mergers and acquisition and financial performance. These cover global and local studies. Fatima and Shehzad (2014) studied the impact of mergers and acquisitions on financial performance of insurance companies in Pakistan. For analysis ten insurance companies which got into mergers from 2007 to 2010

were selected and Six financial ratios were utilized. They rejected the alternative hypothesis regarding return on assets, profit after tax and valued policies. The null hypothesis was accepted. The study concluded that the objectives of mergers were not clearly achieved, economies of scale achieved neither were synergy created,

Voesenek (2014) investigated the effects of mergers and acquisitions on firm performance around the world. The study looked into the effects of M &A on stock prices and profitability during crisis and non-crisis periods. According to this study, M & A announcements have positive effects on stock prices. The examination likewise found that the riches impact is bigger for target investors contrasted with acquirer investors and that the impacts in an emergency period beat the impacts in a non-emergency period. Taking a gander at post-merger gainfulness, this examination finds that M and As is productive in any event the initial five post-merger years, where the outcomes in the non-emergency period beat those in the emergency time frame. The impacts crosswise over nations appear to be comparable, demonstrating that organizations in various nations appear, by and large, similar impacts, both as far as riches impacts and post-merger benefit when.

Joshua (2011) evaluated the impact of merger and acquisition on financial efficiency of insurance companies in Nigeria. In this study, net income operating profits, and net assets of sample companies were used to determine financial efficiency by comparing data before and after merger the merger. Compared to pre-merger period, the study established that there was higher post-merger financial efficiency.

Tang (2015) studied mergers and acquisitions and its effect on firm performance. This examination inspected mergers and acquisitions from 2006 to 2010 in the Philippine money

related industry and its impact on firm execution utilizing both profit for resource and strange profit for resource received from the system of Ball and Darker (1968). The examination broke down the money related execution of procuring firms from 3 years before 3 years after the obtaining. The outcomes from this investigation demonstrated that utilizing return on resource (ROA), budgetary execution essentially diminished after the merger. Be that as it may, the investigation found no critical change in anomalous profit for resource previously, then after the fact the merger movement. This, as indicated by the examination, may show that the diminishing in the arrival on resource was caused by showcase development and not by the merger movement.

Local studies conducted in Kenya include: Muya (2006) surveyed experiences of mergers and acquisitions by Kenyan firms. The study sought to establish and document some of the main experiences of Kenyan firms that have undergone the mergers and acquisitions process. The study also sought to find out from management their perceptions that include factors relating to creation of shareholder's wealth, factors contributing to success and failure and management of post merger and acquisition activities. The study population comprised of all Merger Control Notification received and processed by the Commissioner of Monopolies and Prices in the years 2001 to 2004. According to this study, the need to increase market share and diversity in growth business, were the highest cited reasons for merger and acquisition strategy. The study established that mergers and acquisitions are strategic acts aimed at enhancing profitability, increasing share price and creating cost advantage and product differentiation. This study notes that strategic and organization fit during the planning for post acquisition activities is very important for the success of mergers and acquisitions.

Rono (2014) studied the effect of mergers and acquisitions on shareholder's value of commercial banks in Kenya. The study aimed at establishing the effect mergers and acquisitions have on shareholder's value. The population of study comprised of 36 commercial banks that have undertaken mergers and acquisitions in the period between 2002 and 2013. The sample comprised of 6 banks that had undertaken mergers and acquisitions by the year 2013. The paper attempted a comparative analysis of the impact of pre-merger and post-merger operations on shareholder's wealth of selected banks in Kenya. This was done using chi-square analysis where it compared if there is any significant difference accruing to efficiency in terms of Return on Assets, Return on Equity and Valued policies. The gathered information was investigated utilizing t - test measurement at 5% level of importance with the guides of factual bundle for sociologies (SPSS) variant 17 which is a change on the common understudy t-test as utilized by the t - test measurement recipe. The outcomes demonstrated an upgraded execution prompting enhanced investor's riches. utilizing chi-square examination, the investigation built up that following the merger or the obtaining, the Profits on Resources, Income per offer and Profits for value all enhanced as the advantages of the organization made strides after the mergers and acquisitions.

Onyango (2014) did a profitability analysis of pre and post mergers and acquisitions for commercial banks in Kenya. This study used three variables to examine the relationship between profitability and Mergers and Acquisitions. The examination utilized secondary information got from Kenya distributed reviewed yearly reports of records for the particular banks. Examinations of the ROA on the banks that consolidated or were gained impart blended signs. ROA of the new establishment enhanced after the procurement or

the merger. In any case, ROA of the new establishment on occasion dropped marginally contrasted with the normal of the two foundations previously the meeting up exchange was finished up. From the discoveries, the productivity of the new foundation shaped on the merger/securing enlisted a higher benefit as delineated by an expansion in the ROA and ROE on the merger/obtaining. Combining/securing enhanced the productivity of the new organization contrasted with the two separate foundations independently. Sometimes be that as it may, the change was not understood quickly after the merger/obtaining. The expansion in gainfulness was more articulated in the second and the third year than it was in the time of the merger.

2.5 Conceptual Framework

The following variables are considered relevant in the Kenyan context and data can readily be collected. These variables will be explained in the methodology

Independent variable

- Liquidity ratio
- Valued policies
- Net profit margin

→

Dependent Variable

- Percentage change in Net premium earned

Source: Researcher 2017

2.6 Summary of Literature Review

This chapter has reviewed four theories relating to mergers and acquisitions. According to the theories, the effect of mergers and acquisitions on financial performance could either be value-increasing or value-decreasing. Other determinants of financial performance, other than mergers and acquisitions, have also been analyzed. The chapter has also reviewed empirical studies on the effect of mergers and acquisitions, both global and local, on firm performance. The empirical studies were based on the premises that either, mergers and acquisitions enhanced firm performance or that the effect was not clear as presented in the theoretical foundation herein. From the studies, the effect of mergers and acquisitions on firm performance is not clear as some of the reviewed studies show enhanced financial performance while others show diminished performance or no effect.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the methods and approaches for finding facts, testing and writing of the final findings. This chapter discusses the research design, research site, study population, sample size, sampling procedures, data collection and data analysis.

3.2 Research Design

Dooley (2007) defines research design as a structure that lays out structure and procedure of examination to find answers to research questions and control irregularity. This study will adopt a descriptive research design which selects the whole populace or a subset thereof and from these people, information is gathered to enable response to look into question and build up the impact of mergers and obtaining on money related execution of insurance agencies in Kenya. The investigation will be a census study due to the small number of registered insurance companies in Kenya, which is forty-nine (49) registered insurance companies in Kenya.

3.3 Study Population

Population of study will consist of forty nine (49) registered insurance companies in Kenya (www.ira.go.ke, 2017). Mugenda and Mugenda (2003) defines a study population as items of observable features to which a researcher intends to generalize the results of the study.

3.4 Data Collection

The study will collect secondary from all the forty nine registered insurance companies in Kenya. Data will be gathered from financial statements and cover a period of three years

before and after merger and acquisition. This will focus on mergers and acquisitions that occurred between 2011 to 2016.

3.5 Data Analysis

The way toward analyzing information will include information cleaning and clarification. Inferential statistics will be used to analyze data collected. Inferential statistics will involve the use of a multiple regression. A multiple regression model is a model used to establish the relationship of more than two variables.

3.5.1 Analysis Model

This study will use a multiple linear regression to determine the extent to which total variation in the dependent variable (financial performance) was influenced by the variation in the independent variables. The multiple linear regression model used was as follows:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 +. \beta_3 X_3 + \beta_4 X_4 +. \beta_5 X_5 + \varepsilon}\ \mathrm{E}$$

Where

Y = Post merger financial performance

X_1 = post merger Net income margin

X_2 = post merger Liquidity

X_3 = post merger Ratio of valued policies

X_4 = post merger Market share

X_5 = post merger Rerun on Assets

3.5.2 Test of Significance

Analysis of Variance (ANOVA) will be utilized to test the regression model level of significance at 95% confidence level and 5 % level of significance. F-test and T-test will be used to test for any significant difference between financial performance of insurance companies and merger and acquisition. Adjusted R squared was used to determine the variation in the dependent variable due to changes in the independent variables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the analysis of the collected data and also provides an interpretation of such analytical outcomes and turns the findings into useful research information that can be used to make informed business decisions. The analytical process has been guided by the research methodology outlined in chapter three. The research data was gathered exclusively through secondary data.

4.2 Descriptive Statistics

In order to achieve the study objective, this was measured through a summary statistics of the pre-determined financial performance indicators for the three years before mergers and acquisitions and three years' post mergers and acquisitions. Below is a summary statistics of the financial performance indicators for the periods before and after mergers and acquisitions

4.2.1 Pre-Mergers Summary Statistics on Financial Performance

The section was important to understand how the individual insurance performed before the strategic change of mergers and acquisitions. The analysis is the aggregate summary the average market share, return on assets, and Net income margin and liquidity ratio for the individual insurance before mergers acquisitions. This is important because this study was a comparative study that compares the performance of the insurance before and after periods of mergers and acquisitions.

Table 4.1 Pre-Mergers Aggregate Summary Statistics on Financial Performance of Individual Insurance before Mergers and Acquisitions

The section was important to understand how the individual insurance performed before the strategic change of mergers and acquisitions. The individual insurance companies were 24 before merging in to 12 companies. The analysis is the aggregate summary the average market share, return on assets, and Net income margin and liquidity ratio for the individual insurance before mergers acquisitions. This is important because this study was a comparative study that compares the performance of the insurance before and after periods of mergers and acquisitions.

	Net premium earned% Change	Liquidity ratio	Valued policies	Net income margin	Market share	Return on Assets
Mean	0.17	1.06	0.20	0.19	3.00	0.21
Median	0.16	1.06	0.20	0.19	3.21	0.21
Mode	0.14	1.04	0.18	0.18	2.25	0.19
Standard D	0.02	0.02	0.02	0.01	0.56	0.02
Skewness	0.22	0.02	0.35	0.28	-0.56	0.00
Range	0.05	0.04	0.05	0.03	1.28	0.04
Minimum	0.14	1.04	0.18	0.18	2.25	0.19
Maximum	0.19	1.08	0.23	0.21	3.53	0.24
Sum	3.97	25.49	4.85	4.60	72.00	5.15
Count	72	72	72	72	72	72

The findings indicate that the average annual market share held by the individual insurance for the three-year period before mergers and acquisition was 3% with a standard deviation of 0.056, while the average annual return on assets for the individual insurance for the three-year period before mergers and acquisition was 21% with a standard deviation of 0.02. The average percentage change in net premium earned for the individual insurance for the three-year period before mergers and acquisition was at times 17%1.71 with a standard deviation of 0.0.2.

The average ratio of valued policies by the individual insurance for the three-year period before mergers and acquisition was at 20% with a standard deviation of 0.02. The average annual liquidity ratio for the individual insurance for the three-year period before mergers and acquisition was times 1.06 with a standard deviation of 0.02. It has concluded that all financials indicate good performance in insurance before periods of mergers and acquisition

4.2.2 Post -Mergers Aggregate Summary Statistics on Financial Performance of Merged /Acquired Insurance

The section was important to understand how the merged or acquired insurance performed after the strategic change of mergers and acquisitions. The analysis is the aggregate summary the average market share, return on assets, Net premium earned percentage Change, ratio of valued policies, liquidity ratio and Net income margin for the merged companies after mergers acquisitions. This is important because this study was a

comparative study that compares the performance of the insurance before and after periods of mergers and acquisitions.

Table 4.2 Post mergers summary statistics

	Net premium earned% Change	Liquidity ratio	Valued policies	Net income margin	Market share	Return on Assets
Mean	0.24	1.52	0.29	0.27	6.60	0.31
Standard Error	0.01	0.00	0.00	0.00	0.20	0.00
Median	0.23	1.52	0.28	0.27	7.07	0.31
Mode	0.20	1.49	0.26	0.26	4.95	0.28
SD	0.03	0.03	0.03	0.02	1.22	0.02
Kurtosis	-1.54	-1.54	-1.54	-1.54	-1.54	-1.54
Skewness	0.21	0.02	0.34	0.28	-0.55	0.00
Range	0.07	0.06	0.07	0.04	2.82	0.06
Minimum	0.20	1.49	0.26	0.26	4.95	0.28
Maximum	0.28	1.55	0.33	0.29	7.78	0.34
Sum	8.51	54.63	10.40	9.86	237.60	11.04
Count	36	36	36	36	36	36

The findings indicate that the average annual market share held by the merged insurance for the three-year period post mergers and acquisition was 6.6 % with a standard deviation of 1.12. The average annual return on assets for the merged insurance for the three-year

period post mergers and acquisition was 31% with a standard deviation of 0.02. The average annual percentage change in net premium earned for the merged insurance for the three-year period post mergers and acquisition was at 24% with a standard deviation of 0.04. The average annual liquidity ratio for the merged insurance for the three-year period before mergers and acquisition was 1.52 with a standard deviation of 0.03. It's concluded that all financials indicate good performance before comparison with periods mergers and acquisitions

4.2.3 Pre-Merger Financial Performance Trend Analysis

A trend analysis of the growth rate of financial performance indicators for the study independent variables was undertaken to establish the change in performance for periods for before and mergers and acquisitions. The variables measured included changes Market share, total changes in return on assets, changes in capital adequacy, change management and earning quality, change liquidity and changes to sensitivity to market risk for periods before mergers and acquisitions. The formula adopted is (performance this year (less) the previous year performance /(divided) by the previous year's performance of all the study variables . The findings is presented in the in table 4.3 below

Table 4.3 Pre-Merger Financial Performance Trend Analysis

Mean	year1	year2	year3	year 1-2	year 1-3	average growth
Net premium earned%						
Change	0.14	0.16	0.19	15%	19%	17%
Liquidity ratio	1.04	1.06	1.08	2%	2%	2%
Valued policies	0.18	0.20	0.23	10%	16%	13%
Net income margin	0.18	0.19	0.21	6%	9%	7%
Market share	2.25	3.21	3.53	43%	10%	26%
Return on Assets	0.19	0.21	0.24	11%	10%	10%

The findings indicate that the average annual market share growth for insurance for the three-year period before mergers and acquisition was 26%. The findings indicate that the average annual market share growth for insurance for the three-year period before mergers and acquisition was 26%. The average annual net premium earned percentage change growth for insurance for the three-year period before mergers and acquisition was 17% . The findings indicate that the average annual Valued policies growth for insurance for the three-year period before mergers and acquisition was 13 %. The findings indicate that the average annual Net income margin growth for insurance for the three-year period before mergers and acquisition was 7%. The findings indicate that the average annual Return on Assets growth for insurance for the three-year period before mergers and acquisition was 10%

4.2.4 Post Merger Financial Performance Trend Analysis

A trend analysis of the growth rate of financial performance indicators for the study independent variables was undertaken to establish the change in performance for the three-year periods after mergers and acquisitions. The variables measured included changes Market share, total changes in return on assets, changes in capital adequacy, change management and earning quality, change liquidity and changes to sensitivity to market risk for periods before mergers and acquisitions. The findings is presented in the in table 4.4 below

Table 4. 4 Post Merger Financial Performance Trend Analysis

Mean	year1	year2	year3	year 1-2	year 1-3	average growth
Net premium earned % Change	0.20	0.25	0.31	25%	24%	25%
Liquidity ratio	1.49	1.65	1.76	11%	7%	9%
Valued policies	0.26	0.31	0.37	19%	21%	20%
Net income margin	0.26	0.29	0.33	15%	14%	14%
Market share	4.95	7.69	8.84	55%	15%	35%
Return on Assets	0.28	0.33	0.38	20%	15%	18%

Table 4. 4 Post Mergers Financial Performance Trend Analysis

The findings indicate that the average annual market share growth for insurance for the three-year period after mergers and acquisition was 35%. The average annual net premium

earned percentage change growth for insurance for the three-year period after mergers and acquisition was 25%. The findings indicate that the average annual valued policies growth for insurance for the three-year period after mergers and acquisition was 20%. The findings indicate that the average annual Net income margin growth for insurance for the three-year period after mergers and acquisition was 14%. The findings indicate that the average annual Return on Assets growth for insurance for the three-year period after mergers and acquisition was 18%. The findings indicate that the average annual Liquidity ratio growth for insurance for the three-year period after mergers and acquisition was 9%

4.3 Effect of Mergers and acquisitions on financial performance

To ascertain this chi-square test and a comparative analysis of the trends in financial performance for the three-year average of the financial performance indicators between pre-and post merger periods. This was done using annual financial performance indicators of changes Market share, total changes in return on assets, changes in capital adequacy, change management and earning quality, change liquidity and changes to sensitivity to market risk of the insurance companies , pre-and post merger.

4.3.1 Chi-square test

The study established the association between mergers and acquisitions and financial performance of Kenyan insurance that have engaged in mergers and acquisitions by using chi-square. The Chi-Square test is usually used to determine whether an association or a relationship between two study variables drawn from a sample is likely to reflect a real association between these two study variables in the population or if there is a difference

between the two variables. It thus test the probability (p-value) that the observed association between the two variables has occurred by chance, i.e. due to sampling error

Table 4.5. Chi Square-Tests

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	24.000a	19	0.042
Likelihood Ratio	19.094	19	0.032
N of Valid Cases	36		

According to the findings in the above table, the significance figure was 0.042, which shows that there was a statistically significant the effect of pre and post-merger and acquisition performances of insurance companies. This is because the significance figure was less than 0.05 (p≤0.5).

4.3.2 Comparative Analysis of the Changes in Financial Performance between the Post and Pre-Merger Periods

A comparison of the mean and annual growth rates between financial performance in pre and post merger financial performance was undertaken to determine the change in performance because of mergers and acquisition

	Net premium	Liquidity ratio	Valued policies	Net income margin	Market share	Return on Assets

Premerger mean	0.17	1.06	0.20	0.19	3.00	0.21
post- merger mean	0.24	1.52	0.29	0.27	6.60	0.31
change	43%	43%	43%	43%	120%	43%
pre-merger growth rate	0.17	0.02	0.13	0.07	0.26	0.10
post merger growth rate	0.25	0.09	0.20	0.14	0.35	0.18
Change	8%	7%	7%	7%	9%	7%

The findings above indicate that because of mergers and acquisitions the average annual market share for merged insurance increased by 120% but the growth rate in market share for such companies increased by an annual rate of 9% within the three-year period after mergers and acquisitions. The findings above indicate that because of mergers and acquisitions the average annual Return on Assets for merged insurance increased by 43% while the growth rate in Return on Assets for such companies increased by an annual rate of 7% within the three-year period after mergers and acquisitions.

The findings above indicate that because of mergers and acquisitions the average Net income margin for merged insurance increased by 43% and the annual rate growth rate in such increase of the Net income margin was 7% within the three-year period after mergers and acquisitions.

The findings above indicate that because of mergers and acquisitions the average annual Valued policies for merged insurance increased by 43% but the growth rate in Valued

policies for such companies increased by an annual rate of 7% within the three-year period after mergers and acquisitions. The findings above indicate that because of mergers and acquisitions the average annual Liquidity ratio for merged insurance increased by 43 % but the growth rate in Liquidity ratio for such companies increased by an annual rate of 7% within the three-year period after mergers and acquisitions.

4.4 Regression Analysis

A regression model was applied to determine the relationship between independent and dependent variables. The dependent variable is financial performance of insurance in Kenya while the independent variable is mergers and acquisitions. The analytical model used in analyzing the effect of the dependent and independent variables is:

$$\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 +. \beta_3X_3 + \beta_4X_4 +. \beta_5X_5 + \varepsilon} \text{ E}$$

Where

Y = Post merger financial performance

X_1 = post merger Net income margin

X_2 = post merger Liquidity

X_3 = post merger Ratio of valued policies

X_4 = post merger Market share

X_5 = post merger Rerun on Assets

α = Constant

ϵ = error term

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable that is explained by all the four independent variables. To code, enter and compute the measurements of the multiple regressions, the research used statistical package for social sciences (SPSS V 21.0).

Table 4.6: Model Summary

Relation between mergers, acquisitions, and financial performance

Model Summary

Regression Statistics	
Multiple R	1
R Square	1
Adjusted R Square	0.9091
Standard Error	0.0001863
Observations	36

R The R-Squared is a usually utilized measurement to assess show fit. R-square is 1 less the proportion of lingering changeability. The balanced R2, likewise called the coefficient of various judgments, is the percent of the change in the ward clarified particularly or mutually by the free factors. 91% of the financial performance of insurance in Kenya could be ascribed to the consolidated impact of the indicator factors.

Table 4.7 Summary of One-Way ANOVA

ANOVA					
	Df	*SS*	*MS*	*F*	*Significance F*
Regression	5	0.00095	2.39E-05	3.920292	0.363231
Residual	33	0.00059	2.11E-05		
Total	38	0.00154			

The investigation utilized One-path ANOVA to set up the centrality of the relapse display from which a likelihood estimation of 0.393231 was built up. This demonstrates the relapse relationship was exceedingly huge how adoption of mergers and acquisitions affect financial performance of insurance companies in Kenya . The F calculated at 5% level of significance was 3.920292. The F figured at 5% level of criticalness was 3.923231 .since F ascertained is more noteworthy than the F basic (esteem = 3.87), this demonstrates the general model was huge. Statistical significance implies that the results obtained isn't probably going to happen haphazardly or by shot, yet is rather liable to be inferable from a particular reason.

Table 4.8 Regression Coefficients results

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.6194	0.1065	5.8177	0.0000	0.4013	0.8374
Net income margin	0.0297	0.0676	-0.4393	0.6638	-0.1681	0.1088
Valued policies	0.1489	0.6887	-0.2161	0.8304	-1.5595	1.2618
Liquidity	0.0703	0.0424	-1.5978	0.1205	-0.1591	0.0186
Market share	0.0720	0.0953	-0.7551	0.4565	-0.2672	0.1233
ROA	0.0693	0.0434	-1.5968	0.1215	-0.1581	0.0196

The established regression equation was;

$Y= 0.6194 -0.03X1 +0.015X2+0.07X3 +0.072X4+0.069X5+e$

The regression equation above has established that holding all other factors constant (no implementation of mergers and acquisitions) financial performance would be 0.62. The findings presented also show that taking all other independent variables at zero, a unit increase in Mergers and Acquisitions would lead to an increase in the market size by 0.072. A unit increase Mergers and Acquisitions would lead to an increase in ROA by.06972. A unit increase Mergers and Acquisitions would lead to an increase in Valued policies by 0.015. A unit increase Mergers and Acquisitions would lead to an increase in Liquidity by 0.07. We conclude that Mergers and Acquisitions enhance the financial performance of insurance companies in Kenya.

4.5 Interpretation of the Findings

From the above regression model, the study found out that adoption of mergers and acquisitions enhances the financial performance of insurance companies in Kenya. The independent variables that were studied explain a substantial 91% of improvement in financial performance of as represented by adjusted R2 (0.25). This therefore means that the independent variables contributes 91 % of improvement in performance while other factors and random variations not studied in this research contributes 9 % of the financial performance

CHAPTER FIVE: OF FINDINGS, CONCLUSION AND SUMMARY RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. The section summarizes the key results; it draws the conclusions and notes the recommendations from the findings of the study. It further outlines the limitations of the study and gives suggestions for further research.

5.2 Summary of the Findings

The objective of the study aimed at establishing the effect of Mergers and Acquisitions on the financial performance in insurance firms in Kenya. This was measured through a summary statistics of the pre-determined financial performance indicators for the three years before mergers and acquisitions and three years' post mergers and acquisitions. The section was important to understand how the individual insurance performed before the strategic change of mergers and acquisitions.

The analysis is the aggregate summary the average market share, return on assets, Net income margin and liquidity ratio and ratio of valued policies for the individual insurance before mergers acquisitions. The study was a comparative study that compares the performance of the insurance before and after periods of mergers and acquisitions. A trend analysis of the growth rate of financial performance indicators for the study independent variables was undertaken to establish the change in performance for periods for before and mergers and acquisitions.

The variables measured included changes Market share, total changes in return on assets, changes in Net income margin, change ratio of valued policies and in change liquidity for periods before mergers and acquisitions. A comparison of the mean and annual growth rates between financial performance in pre and post merger financial performance was undertaken to determine the change in performance because of mergers and acquisition. The study findings indicate that because of the implementation of mergers and acquisitions performance of insurance have been on the increase as compared to the performance in before mergers and acquisitions.

5.3 Conclusions

Chi-square test was used to determine the degree and nature of association between independent variable and the dependent variable. The regression and the chi-square implied that the variables under the model are significant in determining the financial performance of insurance companies in Kenya. The findings indicate that mergers and acquisitions positively enhances financial performance therefore, we conclude that a mergers and acquisitions positively enhances financial performance of insurance companies in Kenya. The findings are in line with Mulwa (2015) who found positive effect of Mergers and Acquisition on financial performance of Insurance firms in Kenya.

5.4 Recommendations of the study

The study found that Mergers and Acquisitions have a significant influence on financial performance of insurance companies in Kenya. The study therefore recommends that organizations should critically evaluate the pros and cons and place measures of monitoring. Mergers and Acquisitions impact on financial performance on continuous

basis especially on how it impacts operating efficiency, liquidity risk, share prices, market power in order to guarantee that investment lead to improved financial performance of insurance companies in Kenya in mergers and acquisitions.

Regulators should address the factors limiting the effectiveness of in mergers and acquisitions strategies. They ought to likewise diagram sound practices for the establishments' collaborations with exceedingly utilized foundations. What's more, controllers need to guarantee those substances for which they have obligation to direct are inside the correct sizes of many-sided quality, the points of confinement of their credit offices, speculations they make, and the liabilities they acquire. In this regard, insurance organizations in Kenya ought to guarantee that their counter gatherings create important measures of potential future budgetary hazard introduction and utilize these measures to set presentation limits.

Controllers ought to energize insurance organizations in Kenya to create arrangements setting out the circumstances in which potential future exposures ought to be collateralized. Another vital issue that necessities unique consideration by the directing experts is in upgrading the nature of revealing money related data. Insurance organizations in Kenya should along these lines concoct such controls to manage Mergers and Acquisitions by insurance organizations in Kenya and assist relieve moral dangers accidental to poor execution of insurance organizations in Kenya.

5.5 Limitations of the study

Since it was a census survey study using secondary data; data collection was extremely tedious and time consuming. The time period for the conduction of the research was limited thereby tiresome and totally comprehensive research could not be conducted. The study, however, minimized these by conducting in-depth analysis that significantly covers the shortcomings of the study. Further, the data was tedious to collect and compute as it was in very raw form. Further the presentation of the data in the different organizations was varied which made the data computation even harder.

It was difficult to access secondary data due to strict confidentiality exhibited by most organizations. The annual financial statements are also prepared under the fundamental assumptions and concepts which are subjective and therefore not be consistently applied particularly in terms of provisions and estimates. Lastly, majority of the financial statements are reaffirmed in the previous years hence misstatements of the material of the performance of the firm can lead to adjustment of the previous year's and this may not be revealed to the public. This means that the depicted pattern may have an effect on the correlation created

5.6 Recommended areas of further research

Other studies on the effect of Mergers and Acquisition practices of insurance in Kenya should be undertaken in order to establish management practices that lead to better organizational performance. Other studies on the effect of government policy environment should be undertaken to get insight on the effect of fiscal and monetary policy adjustments on the performance of insurance in Kenya. This is in light to fiscal and monetary policy

instability witnessed recently in Kenya especially in regard to interest rate capping .This will greatly inform the process of formulating policies that that would lead to better policy improvements and management of the process of mergers and acquisitions

Due to the turbulent nature of the business environment, for example technology, risks and uncertainties, it will be appropriate to replicate this study after duration of ten years. The fact that this study limited itself to insurance firms in Kenya; I suggest that comparative study should be undertaken in other sectors to assess whether there are any similarities or differences from the results of this study. These results will be useful in benchmarking with other sectors.

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APPENDICES

Appendix I: Registered Insurance Companies in Kenya as of 2017

1. AAR Insurance Kenya Limited
2. APA Insurance Limited
3. Africa Merchant Assurance Company Limited
4. Apollo Life Assurance Limited
5. AIG Kenya Insurance Company Limited
6. British-American Insurance Company (Kenya) Limited
7. Cannon Assurance Limited
8. Capex Life Assurance Company Limited
9. CFC Life Assurance Limited
10. CIC General Insurance Limited
11. CIC Life Assurance Limited
12. Continental Reinsurance Limited
13. Corporate Insurance Company Limited
14. Directline Assurance Company Limited
15. East Africa Reinsurance Company Limited
16. Fidelity Shield Insurance Company Limited
17. First Assurance Company Limited
18. G A Insurance Limited
19. Gateway Insurance Company Limited

20. Geminia Insurance Company Limited
21. ICEA LION General Insurance Company Limited
22. ICEA LION Life Assurance Company Limited
23. Intra Africa Assurance Company Limited
24. Invesco Assurance Company Limited
25. Kenindia Assurance Company Limited
26. Kenya Orient Insurance Limited
27. Kenya Reinsurance Corporation Limited
28. Madison Insurance Company Kenya Limited
29. Mayfair Insurance Company Limited
30. Mercantile Insurance Company Limited
31. Metropolitan Life Insurance Kenya Limited
32. Occidental Insurance Company Limited
33. Old Mutual Life Assurance Company Limited
34. Pacis Insurance Company Limited
35. Pan Africa Life Assurance Limited
36. Phoenix of East Africa Assurance Company Limited
37. Pioneer Assurance Company Limited
38. Real Insurance Company Limited
39. Resolution Insurance Company Limited
40. Shield Assurance Company Limited

41. Takaful Insurance of Africa Limited

42. Tausi Assurance Company Limited

43. The Heritage Insurance Company Limited

44. The Jubilee Insurance Company of Kenya Limited

45. The Monarch Insurance Company Limited

46. Trident Insurance Company Limited

47. UAP Insurance Company Limited

48. UAP Life Assurance Limited

49. Xplico Insurance Company Limited

Source: www.ira.go.ke (2017)

Appendix II: List of Mergers and Acquisition among Insurance Companies in Kenya

No	Year	Pre-merger Entities	Post-Merger Entities
1	2011	Apollo Insurance APA Insurance	APA Insurance Group
2	2012	Insurance Company of East Africa Lion of Kenya Insurance Company	ICEA LION Group
3	2012	CFC Life Assurance Company Heritage All Insurance Company	Liberty Holdings Kenya
4	2013	Saham Group Mercantile Insurance Company	Saham Insurance Kenya Limited
5	2013	British American Insurance Company Real Insurance Company	Britam Insurance
6	2014	Prudential Insurance Group Shield Assurance Company	Prudential Insurance Group
7	2015	Pan Africa Life Insurance Gateway Insurance Company Limited	Pan Africa Life Insurance

8	2015	Metropolitan Life Assurance Cannon Assurance Kenya Limited	MetCannon Assurance
9	2015	Old Mutual Life Assurance UAP Holdings	UAP-Old mutual Insurance
10	2015	Barclays Life Assurance First Assurance Kenya Limited	Barclays Insurance

Appendix III: Data Collection Schedule

Statement	**2016**	**2015**	**2014**	**2013**	**2012**
Total debt					
Average total assets					
Current assets					
Current Liabilities					
After-tax Net income					
Total sales					
Operating assets					
Dividends per share					