EFFECTS OF OWNERSHIP STRUCTURE ON FINANCIAL PERFORMANCE OF INSURANCE COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

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ABSTRACT

The study aimed at establishing the effects of ownership structure on financial performance of insurance companies listed at Nairobi Securities Exchange (NSE) during the period 2011 to 2015. Ownership was represented by concentrated ownership or majority shareholders, domestic ownership, foreign ownership as well as state ownership respectively. The overall objective of this study was to establish the effects of ownership structure on the overall financial performance of insurance companies listed at the NSE. The target population of the study comprised of all the 6 listed insurance firms at the NSE. The study used primary and secondary data and it targeted a sample size of thirty five branch managers from Nairobi County. Analysis was done using multivariate regression in a panel data framework. Data was analyzed by use of SPSS and presented by use of tables, and pie chart. The findings of the study revealed that ownership concentration positively affected financial performance of listed insurance firms in Kenya. Regression model shows that there is positive relationship between ownership concentration and financial performance of listed insurance Firms. Correlation analysis shows that there is positive relationship between domestic ownership and financial performance of listed insurance Firms in Kenya. The findings of the study revealed that foreign ownership positively affected financial performance of listed insurance firms. Regression model shows that there is positive relationship between foreign ownership and financial performance of listed insurance Firms in Kenya. The finding of the study revealed that state ownership positively affected financial performance of listed insurance firms in Kenya. Regression model shows positive relationship between state ownership and financial performance of listed insurance Firms. The study concludes that a unit increase in ownership concentration would lead to increase in financial performance of listed insurance Firms in Kenya. A unit increase in foreign ownership would lead to increase financial performance of listed insurance firms in Kenya. State ownership significantly affect the financial performance of listed insurance firms in Kenya. The study recommends that the insurance firms should increase ownership concentration, domestic, foreign and state ownership as this would lead to increase in financial performance.

Keywords: ***Ownership concentrations, Domestic ownership, Foreign ownership, State ownership, Financial performance***

INTRODUCTION

Businesses firms exist to maximize shareholders wealth which depends on the decision-making mechanisms. These decisions are made by the owners of these firms and they are of strategic importance because the ability of a firm to make returns in a competitive environment determines to a larger extent its ability to survive in the future, (Reddy, 2012). Ownership structure mainly focuses on two main dimensions, ownership concentration and owner identity. Ownership concentration describes the degree of voting rights which is evaluated by the voting right of the largest shareholder, and owner identity is measured by the type of the largest shareholder; whether foreign, domestic or state owners, (La Porta, et al. 2005). There is a link between firm's strategic decisions and its ownership structure as owners influence strategic decisions such as plans of either going for equity financing or debt financing. In debt financing, companies borrow money or capital and resources from external sources that are to be repaid over a period, usually with interest, whereas in equity financing the firms issues shares to the public to raise extra resources for business expansion, (Raji, 2012).

Ownership structure is a mechanism in corporate governance which facilitates the creation of shareholder value through management of corporate affairs in such a way that ensures protection of individual and collective interest of all shareholders, (Jensen and Meckling, 2009). Corporate governance framework according to Imam and Malik (2007), is the widest control mechanism (both internal and external) since it encourages the efficient use of corporate resources and ensures accountability for the stewardship of those resources utilised. Lins (2002), further contend that corporate governance could help to align the interests of individuals, corporations and society through a fundamental ethical basis and it will fulfil the long-term strategic goal of the owners, building shareholder value and establishing a dominant market share. The separation of ownership and control in Modern Corporation retains a central position in the economic theory of the firm, (Elliot, 2002). He concluded that "the separation of ownership from control produces a condition where the interest of owner and ultimate manager may, and often do, diverge, and where many checks that formerly operated to limit the use of power disappear.

Ownership Structure

Ownership structure is defined by the distribution of equity with regard to votes and capital but also by the identity of the equity owners, (Hassan & Butt, 2009). Normally the type of ownership structure a firm decides to adopt is engineered by the vision of the firm. Profit is usually a long term objective which measures not only the success of the product and business enterprise, but also the development of the market for it hence matching revenues against the associated costs is very important in determining firm performance. The reason for such importance is the underlying objective to maximize returns to shareholders, (Nimalathasan, 2009). The type of ownership structure chosen underline the relevance of a firm's capital structure for its strategic decisions, in that capital structure is the result of managerial choice, and corporate strategy can be seen as the result of managerial incentives and goals, (Reddy, 2012). Although many shareholders have an interest in the success of the firm, the strategic decisions are made by the Corporate Executives. Thus, the main challenge faced by the owners is how to make executives accountable to the shareholders whose investment is at risk, while still giving them the freedom, the incentives and the control over the resources they need to create and seize investment opportunities and to be tough competitors, (Nambiro, 2007).

Ownership structure may have a positive or a negative effect on the amount of debts held in the firm's capital structure. In firms where shareholders rights are weak it is expected to carry more debt in their capital structure as these firms are expected to incur higher agency costs, (Jirapon & Gleason 2007). More equity ownership by the insider owners may increase firm performance because it means better alignment of the monetary incentives between the manager and other shareholders, (Jensen & Meckling, 2009). This is because the managers are more capable of opposing a takeover threat from the market for corporate control and as a result, the raiders in this market will have to pay higher takeover premiums, (Ezazi, et al., 2011).

Financial Performance

Organizational performance can be measured by both financial and non-financial parameters. Ho (2008), pointed that performance can be evaluated by efficiency and effectiveness of goal attainment. Furthermore, Venkatraman et al. (2006), cited that performance can be assessed by financial performance namely, return on investment (ROA), return on equity (ROE), growth of sales, profitability, organization effectiveness, and business performance. Similarly, Delaney et al. (2006), assert that organization performance can be evaluated by quality service and products, satisfying customers, market performance, service innovations, and employee satisfaction and product quality. In the same way, Green et al. (2007), identified that return on investment, sales and market growth, and profitability as important factors that can be measured by organization performance.

There is general agreement that organizational profitability is a function of internal and external factors. Koch (2005), observed that the performance differences between firms are an indicator of differences in management philosophy as well as differences in the market served. Profitability is a function of internal factors that are principally influenced by a firm's management decisions and policy objectives such as the level of liquidity, provisioning policy, capital adequacy, expense management, and the external factors related to industrial structural factors such as ownership, market concentration and stock market development and other macroeconomic factors, (Athanasoglou et al.2006).

Statement of the Problem

Global events concerning high-profile corporate failures have intensified debate on the efficacy of corporate governance mechanisms as a means of increasing firm performance, (Sanda et al., 2005). In Kenya, we have experienced corporate failures with the most recent case affecting the banking and insurance sectors consequently leading to receivership of the affected firms. A number of challenges relating to the way companies are controlled and managed have been identified ranging from resource mismanagement, errors, mistakes and fraud. These problems are as a result of poor ownership structures, weak management incentives, poor protection of minority shareholders and weak information standards, (Ongore & K'Obonyo, 2011). Despite impressive performance at the Nairobi Securities Exchange, firms are still characterized by higher ownership concentration providing the controlling shareholders with the opportunity to use their power to undertake activities intended to obtain personal gains to the detriment of minority shareholders while adversely affecting the firm's performance, (Lin et al., 2011).

Similar studies done in Kenya on ownership structure include Mbaabu (2010), who investigated the relationship between ownership, corporate governance structures and financial performance of forty one insurance companies in Kenya from 2005 to 2009. The study revealed a negative return on asset (ROA) when ownership was considered. The results further showed that the size of the board constitution and financial leverage have a significant impact on both return on equity (ROE) and return on assets (ROA). Kiruri (2013), did a study on the effects of ownership structure on bank profitability in Kenya. The study established that higher ownership concentration and state ownership lead to lower profitability in commercial banks. The study also found that higher foreign and domestic ownership lead to higher profitability in commercial banks. These studies on the effects ownership concentration and performance have yielded non-conclusive empirical findings.

A study on the role of ownership structure in defining firm performance was conducted by Fazlzadeh et al (2011), in Iranian Stock Market. They examined the role of ownership structure i.e. institutional ownership concentration, institutional ownership and ownership concentration. They found a mix of results. At one side institutional ownership concentration showed a negative effect on firm performance and on the other side institutional ownership shown a significant negative impact on firm performance. Moreover, ownership concentration did not show any impact on the firm performance. Hasan and Butt (2009), explored the impact of ownership structure and corporate governance on capital structure of Pakistani listed companies covering the period from 2002 to 2005 for 58 non-financial companies listed at Karachi Stock Exchange. They found that board size and managerial shareholding have a significant negative correlation with debt to equity ratio. Their findings were in conflicts with the findings of Numazu and Kerman (2008) which analyzed the "impact of ownership structure on corporate

performance of listed companies in Tehran Stock Exchange". The main hypothesis of their research emphasized the existence of a significant relationship between ownership structure and performance. There is therefore a gap in literature as far as an industry-wide study on the effects of ownership structure on firm performance. The study will shed light on financial performance of insurance firms by emphasizing on the decision maker's choice and how this choice is affected by their stakes in the firm.

RESEARCH OBJECTIVES

i. To determine the relationship between ownership concentrations and financial performance of insurance companies listed at the NSE.
ii. To assess the relationship between domestic ownership and financial performance of insurance companies listed at the NSE.
iii. To determine the relationship between foreign ownership and financial performance of insurance companies listed at the NSE.
iv. To assess the relationship between state ownership and financial performance of insurance companies listed at the NSE.

Theoretical Framework

1.1.1 Shareholder Theory

Shareholder theory has advanced by Leff (2006), defines the primary duty of a firm's managers as the maximization of shareholder wealth. The theory enjoys widespread support in the academic finance community and is a fundamental building block of corporate management. The shareholder value maximization hypothesis predicts that a firm will engage in risk management policies if, and only if, they enhance the firm's value and thus its shareholders value. This goal is credited with the advantages that it considers all direct stakeholders of the firm, it is a long term objective and considers all the cash flows and also it considers uncertainty of returns since discounting rate can be adjusted according to the riskiness of the project, (Manoes et al., 2007).

However, the shareholder model has been criticized for encouraging short-term managerial thinking and condoning unethical behavior. Smith (2003), notes that critics believe shareholder theory is geared toward short-term profit maximization at the expense of the long term objectives. Further, he asserts that shareholder theory involves using the prima facie rights and claims of one group of shareholders to excuse violating the rights of others. However Jensen (2004), argue out that such critics are misguided because wealth maximization is inherently a long term goal. The firm must maximize the value of all future cash flows and does not condone the exploitation of other stakeholders. The criticisms are understandable because many proponents of shareholder theory, in a stylized version of the model, exhort managers to maximize the firm's current stock price.

1.1.2 Agency Theory

The agency cost theory as advanced by Jensen and Meckling (1976), states that there exist agency cost incurred by a firm as a result of the owners delegating the management of the organization to managers. Appropriate ownership will help in the minimizing the costs arising from conflicts between the parties involved. They argue that agency costs play an important role in financing decisions due to the conflict that may exist between shareholders and debt holders. Agency theory extends the analysis of the firm to include separation of ownership and control, and managerial motivation. In the field of corporate management, agency issues have been shown to influence managerial attitudes toward risk taking and hedging, (Smith & Stulz 2005). This theory explains a possible mismatch of interest between shareholders, management and debt holders due to asymmetries in earning distribution, which can result in the firm taking too much risk or not engaging in strategic projects with positive returns. Consequently, some of the mechanisms that the agency theory implies that can have important influence on firm value is

hedging, (Fite & Pfleiderer 2005). Agency theory provides strong support for hedging as a response to mismatch between managerial incentives and shareholder interests.

Agency theorists suggest that the separation of ownership and control is often the best available organizational design, as it leads to the benefits of increased access to capital and the professional management. The results from that decision outweigh the costs associated with delegating control of business decisions to managers, (Fama & Jensen 2003). However, in the absence of strong corporate governance systems, public corporations may suffer in performance when self-interested managers pursue their own interests rather than the interests of shareholders, (Jensen 1989). Managers with no ownership interest in the firm may pursue opportunities for their own interests in prestige, luxurious accommodation, modes of transportation, and high salaries as a result of delegated authority.

Firms may often experience a dispute of interests among the management of the firm, debt holders and shareholders. These disputes generally give birth to agency problems that in turn give rise to the agency costs. Agency theory is used to analyze the relationship between principals and agents but there is an increasing need to understand the conflict between the different classes of principals as some owners might have different incentives/strategies to monitor performance. Due to contrasts between managers and owners cause agency costs, the agency problem has been the basis of debates in ownership structure literature, (Hassas, 2005). Legally, shareholders own a firm but they do not feel any sense of ownership or control over the firm because their stake is small. Moreover, shareholders usually invest in many firms in order to diversify risk. They invest for a future dividend stream rather than investment in the future of the firm. In a firm with dispersed shareholders they lack knowledge and information to make qualified decisions, (Lee, 2008). On the other hand, concentrated ownership is widely acknowledged to provide incentives for large shareholders to monitor management of the firm for optimal performance. The theory also suggests, however, that compensation contracts, managerial equity investment, and monitoring by the board of directors and major shareholders can reduce conflicts of interest between managers and shareholders.

Stewardship Theory

Stewardship theorists, suggest that directors frequently have interests that are consistent with those of shareholders. Donaldson and Davis (2001), suggest an alternative model where organizational shareholders are conceived as being motivated by a need to achieve and gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby gaining recognition from peers and bosses. They observed that where managers have served a corporation for a number of years, there is a merging of individual ego and that of the corporation. Silverman (2007), argued that personal perception motivates individual calculative action by managers, thus linking individual self-esteem with corporate prestige. Davis, et al., (2007), argued that a psychological and situational review of the theory is required to fully understand the premise of stewardship theory. Stewardship theory holds that there is no inherent, general problem of executive motivation and that extrinsic incentive contracts are less important where managers gain intrinsic satisfaction from performing their duties, (Cullen, et al. 2006). The stewardship perspective suggests that the attainment of organizational success also satisfies the personal needs of the steward. The steward identifies greater utility accruing from satisfying organizational goals than through self-serving behaviour. Stewardship theory recognizes the importance of structures that empower the steward, offering maximum autonomy built upon trust. This minimizes the cost of mechanisms aimed at monitoring and controlling behaviours, (Davis, et al. 2007). In order to protect their reputations as expert decision makers, executives and directors are inclined to operate the firm in a manner that maximizes financial performance indicators, including shareholder returns, on the basis that the firm's performance directly impacts perceptions of their individual performance, Daily et al. (2003). According to Fama (2008), in being effective stewards of their organization, executives and directors are also effectively managing their own careers.

Institutional Order Theory

This theory states that the institutional environment can highly impact the growth of formal structures in an organization, often more strongly than market pressures. Innovative

structures that build up technical efficiency in early-adopting organizations are justified in the environment. Eventually, these innovations attain a level of legitimization where they become legal mandates. At this point organizations both new and existing will implement the structural form including schemes, rules, norms, and routines even if the form does not improve efficiency, (Scott 1995).

In as much as emerging economies such as Kenya have growth potential there are myriad of political, social and economic challenges which are a huge impediment for institutions trying to operate in such emerging economies. According to Khanna and Palepu (2000), firms should develop business models that are less susceptible to problems. They highlighted that institution performance initially deteriorate with group diversification and afterwards increase once group diversification exceeds a certain threshold level. The implication of this theory to the study is that insurance companies with foreign ownership in Kenya tend to roll out products that have already been in use in other regions including the well developed countries in line with directives and policies from the parent company.

Conceptual Framework

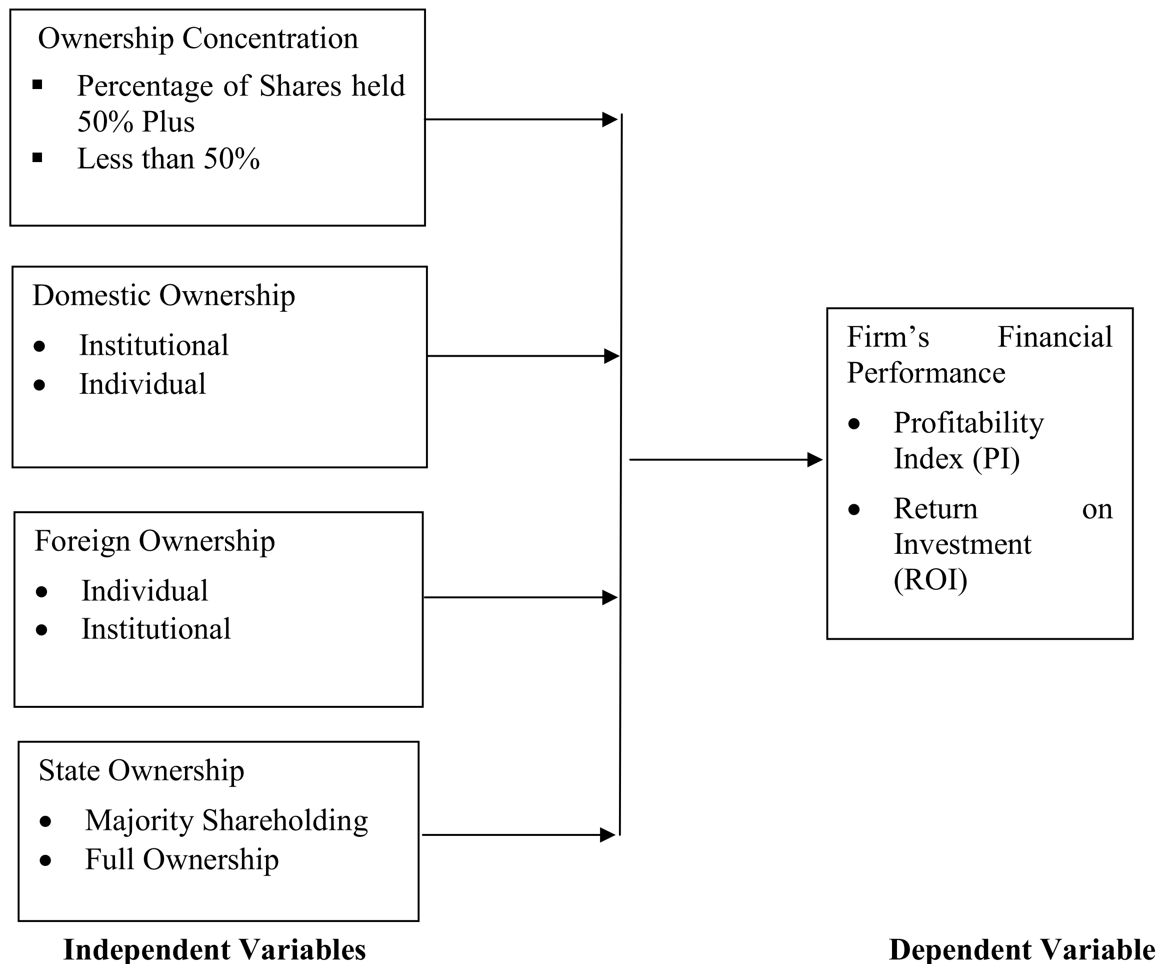

Figure 2.1 Conceptual Framework

RESEARCH METHODOLOGY

The study adopted a descriptive research design which employed primary quantitative data. The method was found appropriate for the study as it explores and describes the relationship between variables in

order to test hypotheses or to answer questions concerning the current status of the subject in the study. The target population for this study consisted of the six insurance companies with branches in Nairobi according to information from the company website; Britam has nine branches, CIC five branches, Jubilee insurance seven branches, Liberty insurance six branches, Pan African insurance four branches and Kenya Reinsurance Corporation three branches respectively. The six companies formed the unit of analysis and the target respondents were the top management due to the role they play in strategy and policy formulation and their overall understanding of the company operations. The study grouped the target population into six subgroups of senior management of each listed insurance institution. A sample of 35 respondents from six listed insurance companies with branches in Nairobi was considered. One widely used rule of thumb states that the sample size should be 30% or more, (Daniel & Terrel, 2005). Respondents were 35 comprising of branch managers, unit managers, finance managers and CEOs of the listed insurance institutions branches for the study. This study adopted stratified sampling technique. Ngechu (2004), supports this by stating that stratified sampling technique produces estimates of overall population with greater precision. The sampling technique was preferred for the study because it increases the sample's statistical efficiency. Primary and secondary data was used to obtain information relevant for the study. Primary data was obtained through the use questionnaires distributed amongst the six listed insurance companies. Data was analyzed using a computerized data analysis package known as SPSS 20.0. Descriptive statistics was used to depict the characteristics of the population. The mean and the variance were calculated using SPSS. This study used multivariate linear regressions where return on equity was regressed against ownership concentration, state ownership and foreign ownership. The study used the following simple linear regression equation

Y = a + b1X1 + b2X2 + b3X3 + b4X4 + €

Where:- Y – Is the return on equity (ROE)

X1 – Ownership Concentration which is the sum of the holdings of the largest five block holder shareholders.

X2 – Foreign Ownership which is the total value of the shares held by foreign owners

X3 – Domestic Ownership which is the total value of the shares held by the citizens of the country

X4 – State ownership which is the total value of the shares held by the Government a is the constant

€ - Error term

RESULTS

1.2 Response Rate

The study targeted 35 respondents but managed to obtain responses from 31 of them thus representing 89% response rate. This response rate was considered satisfactory to make conclusions for the study. Mugenda and Mugenda (2003), observed that a 50% response rate is adequate, 60% good and above, while 70% rated very good. This collaborates with Bailey (2000), assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertion, the response rate in this case of 89% was therefore very good.The recorded high response rate can be attributed to the data collection procedures, where the researcher pre-notified the potential participants of the intended survey, utilized a self-administered questionnaire where the respondents completed and these were picked shortly after and made follow up calls to clarify queries as well as prompt the respondents to fill the questionnaires.

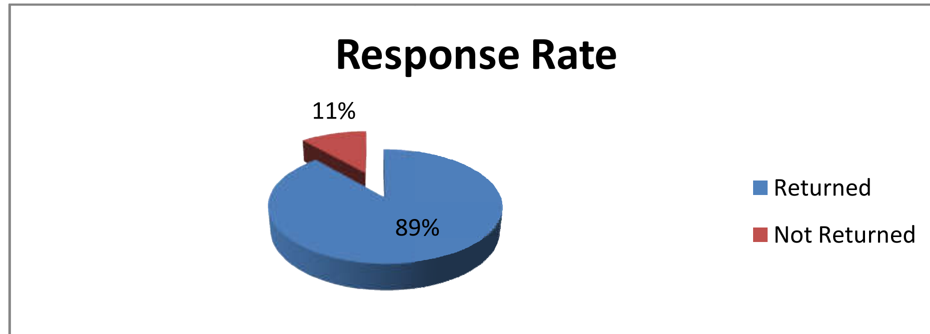

Figure 1: Response Rate

Demographic Data

The study sought to establish the demographic data of the respondents. A general analysis was done on demographic data gotten from the respondents which included; gender, age, and education level.

Gender of Respondents

Respondents were required to indicate their gender. The findings revealed that majority (84%) of the respondents were male and the remaining 16% of them were female as shown in Table 2.

Table 2: Gender of Respondents

Gender	Frequency	Percentage
Male	25	84
Female	6	16
Total	**31**	**100**

Age Bracket of Respondents

Respondents were required to indicate their age bracket. Out of those who responded, 42% of the respondents in this study were aged between 38-47 years of age. They were followed by those aged between 28-37 years of age at 29%, 23% of the respondents were aged above 48 years of age while 6% of the respondents were aged between 18-27 years of age. The results are shown in Table 3.

Table 3: Age of Respondents

Age Bracket of Respondents	Frequency	Percentage
18-27 Years	2	6
28-37 Years	9	29
38-47 Years	13	42
48 Years and above	7	23
Total	**31**	**100**

Education Level

Respondents were further required to indicate their highest level of education. From the descriptive statistics shown in Table 4, majority (52%) of the respondents indicated that they had attained bachelor degree as their highest level of education, 39% indicated that they had attained master’s degree as their highest level of education while 9% indicated that they had attained PhD as their highest level of education. There were no respondents with either diploma of certificate as their highest level of

education. The findings therefore reveal that majority of the respondents in this study had attained education to enable them perform their duties.

Table 4: Education Level

Education Level	Frequency	Percentage
Bachelor Degree	16	52
Master's Degree	12	39
PhD	3	9
Total	**31**	**100**

Ownership Concentration

Respondents were required to indicate the extent to which they agreed to various aspects on ownership concentration and their influence on financial performance of listed insurance companies. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 3.7391- 4.2174 and standard deviations of between 0.59974-0.81002 were registered. The study findings revealed that majority of the respondents agreed that majority of shareholders are domestic shareholders to a great extent (4.2174). They further agreed that shareholders concentration is balanced (4.1739). It was clear from the research findings that majority of shareholders are foreign shareholders to a moderate extent (3.7391).

The findings concur with Lee (2008), who examined the effect of equity ownership structure on firm financial performance in South Korea. Lee's findings were that firm performance improves as ownership concentration increases. The findings also concur with Mokaya et al., (2015), who did a study on the effect of ownership structure on the financial performance of firms listed at the Nairobi Securities Exchange. Their findings revealed that ownership concentration had a positive impact of financial performances of companies listed in NSE. However, the findings disagreed with Kiruri (2013), who did a study on the effects of ownership structure on bank profitability in Kenya. The study established that higher ownership concentration would lead to lower profitability in commercial banks. The implication of the findings is that ownership structure is an endogenous outcome of balancing various cost advantages and disadvantages to arrive optimum firm performance. This could mean that irrespective of type of ownership each insurance company tries very hard to outperform its competitors in the industry hence good results. The findings are as presented in Table 5.

Table 5: Ownership Concentration

Aspect	Mean	Std. Deviation
Majority of shareholders are domestic shareholders	4.2174	.81002

Majority of shareholders are foreign shareholders	3.7391	.59974
Majority of shareholders are state shareholders	3.7826	.67126
Shareholders concentration is balanced	4.1739	.65033

Domestic Ownership

Respondents were further required to indicate the extent to which they agreed to various aspects on the domestic ownership its influence on financial performance of listed insurance firms. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 4.0714- 4.6957 and standard deviations of between 0.47047-0.82872 were registered. The study findings revealed that majority of the respondents agreed that individual shareholders are the majority in the firm to a great extent (4.6957). They further agreed that individual shareholders have the greatest influence over the policies of the firm to a great extent (4.6087). It was clear from the research findings that majority of the respondents were of the opinion that there is clear policies on firm ownership to a moderate extent (4.0714).

The findings concurred with Kiruri (2013), who did a study on the effects of ownership structure on bank profitability in Kenya. His study established that higher domestic ownership lead to higher profitability in commercial banks. The findings however are in conflict with Fazlzadeh et al (2011), who examined the role of ownership structure i.e. institutional ownership concentration, institutional ownership and ownership concentration. They found institutional ownership concentration showed a negative effect on firm performance. The implication of these findings is that firm performance may also depend on the strength of incentives to the institutional owners and the principles of corporate governance that facilitate creation of shareholders wealth. The findings are as presented in Table 6.

Table 6: Domestic Ownership

Aspect	Mean	SD
Individual shareholders are the majority in the Firm	4.6957	.47047
Individual shareholders has the greatest influence over the policies of the firm	4.6087	.49965
The performance of our firm has little to do with concentration of individual shareholding	4.3724	.49931
The performance of our institution is pegged on the individual shareholding	4.5217	.51075
Loyalty of individual shareholders affects the performance of the firm	4.1183	.55473
There is clear policies on firm ownership	4.0714	.82872

Foreign Ownership

Respondents were further required to indicate the extent to which they agreed to various aspects on foreign ownership and its influence on financial performance of listed insurance Firms. Items were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 3.4783 - 3.8261 and standard deviations of between 0.65638-0.98406 were registered. The study findings revealed that majority of the respondents agreed that foreign investors influence policy making in their firm to a great extent (3.8261). They further agreed that foreign ownership determines how well our firm is operating to a great extent (3.6652). It was clear from the research findings that some of the respondents were of the opinion that individual foreign investor are the majority shareholders in their firm to a moderate extent (3.6087).

The study findings concur Claessens et al. (2000), who found that foreign owned banks are more profitable than the domestic owned banks in developing countries. The findings also concur with Kiruri (2013), who did a study on the effects of ownership structure on bank profitability in Kenya. His study established that higher foreign ownership lead to higher profitability in commercial banks. The study findings however, disagreed with those of a study conducted by Wahid and Rehman (2009), whose evidence across many countries indicated that foreign insurance firms are on average are less efficient than domestic firms. The implication of the findings is that firm performance would vary depending on the level of industrialization between developed and developing countries. The findings are as presented in Table 7.

Table 7: Foreign Ownership

Aspects	Mean	SD
Individual foreign investor are the majority shareholders in our firm	3.6087	.65638
Institution foreign investor are the majority shareholders in our firm	3.5217	.79026
There is clear policy on foreign investment in our firm	3.5272	.78165
Foreign investment affects firms performance	3.4783	.94722
Foreign investors influence policy making in our firm	3.8261	.98406
Foreign ownership strengthen confidence of shareholders	3.5714	.93762
Foreign ownership determines how well our Firm is operating	3.6652	.84195

State Ownership

Respondents were further required to indicate the extent to which they agreed to various aspects on state ownership and its influence on the performance of listed insurance firms. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 3.5173 – 4.9354 and standard deviations of between 0.71406- 0.94052 were registered. The study findings revealed that majority of the respondents agreed that there are clear specifications of the rights of shareholders to a great extent (4.9534). They further agreed that State ownership affects firm performance to a greater extent (3.9143). It was clear from the research findings that some of the respondents were of the opinion that it is easy raising funds from state investment to a moderate extent (3.6522).

The findings of this study disagrees with the findings Ongore and K'Obonyo (2011), who conducted a study in Kenya on interrelations among ownership, board and manager characteristics and firm performance at the Nairobi Stock Exchange. Their findings established that state or government ownership of firms have a depressing impact on overall growth. The findings also disagreed with Kiruri (2013), whose study found state ownership is negatively correlated with bank profitability. The implication of this findings under the development view, is that state ownership is needed where institutions are not well developed to support projects for social economic development. The findings are as presented in Table 8.

Table 8: State Ownership

Aspects	Mean	SD
The firm is owned wholly by the government	3.5173	.93768
The government is the majority shareholders of the firm	3.5173	.71406
There are clear specifications of the rights of shareholders	4.9534	.91287
State ownership affects firm performance	3.9143	.72624
It is easy raising funds from state investment	3.6522	.94052

Financial Performance

Respondents were finally required to indicate the extent to which they agreed to various aspects on financial performance of listed insurance Firms. Aspects were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 2.7647 – 4.6522 and standard deviations of between 0.59612- 0.97600 were registered. The study findings revealed that majority of the respondents agreed that the financial performance is high when state ownership is balanced to a great extent (4.6552). They further agreed that ownership affects firm performance to a great extent (4.2174). It was clear that majority of the respondents were of the opinion that the trend of earnings is properly monitored by the firm (2.7647). The study revealed financial performance of insurance companies is positively affected by the ownership structure adopted by the company. This implies that insurance firms studied had similar categories of ownership structures hence the similarity in the findings. The findings are as presented in Table 9.

Table 9: Financial Performance

Aspects	Mean	SD
Ownership affects firm performance	4.2174	.90235
Our firm has a high return on investment	3.7794	.65254
The trend of earnings is properly monitored by the Firm	2.7647	.76968
Our firm is highly profitable	3.8676	.76525
The financial performance is high when domestic ownership is high	3.8971	.59612
The financial performance is high when state ownership is high	3.7647	.67177
The financial performance is high when foreign ownership is high	4.0435	.97600
The financial performance is high when state ownership is balanced	4.6522	.48698

Regression Analysis

Regression Model

The multiple linear regression analysis models the relationship between the dependent variable which was financial performance of listed insurance companies and the independent variables which was ownership concentration, domestic ownership, foreign ownership and state ownership. Table 10 shows the results of regression coefficients which reveal that a positive effect was reported for all the ownership structure aspects under study.

Table 10: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.

(Constant)	.903	.510		1.184	.011
Ownership Concentration	.035	.028	.018	1.021	.031
Domestic Ownership	.016	.021	.013	1.115	.015
Foreign Ownership	.020	.390	.020	1.181	.042
State Ownership	.353	.175	.319	1.016	.029

The equation for the regression model is expressed as:

$\mathbf{Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_3 X_4 + €}$

$\mathbf{Y = 0.903 + 0.035X_1 + 0.016X_2 + 0.020X_3 + 0.353X_4 + 0.510}$

Where

β is a correlation coefficient

Y= Financial Performance

X_1= Ownership Concentration

X_2= Domestic Ownership

X_3= Foreign Ownership

X_4= State Ownership

€= Error term

Significance of Regression Coefficients

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for this study (high t-values, $p < 0.05$). A positive effect is reported for all the aspects under study hence influencing the performance of listed insurance firms positively. The results of the regression equation shows that for a 1- point increase in the independent variables, financial performance is predicted to increase by 0.903 given that all the other factors are held constant. The findings therefore revealed that, ownership concentration, domestic ownership, foreign ownership and state ownership influenced financial performance of listed insurance Firms.

Coefficient of Multiple Determination

The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between financial performance of listed insurance firms and ownership structure aspects under study. The research findings indicated that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.843, that is, financial performance explains 84.3% of observed change in ownership structure aspects under study. The P- value of 0.011 (Less than 0.05) implies that the regression model is significant at the 95% significance level. From this study it is evident that at 95% confidence level, the variables produce statistically significant values and can be relied on to explain financial performance of listed insurance firms. The findings revealed that there is positive relationship between aspects under study (ownership concentration, domestic ownership, foreign ownership and state ownership) and financial performance of listed insurance firms. The findings are as shown in Table 11.

Table 11: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.918	.843	.805	.51038	1.242	0.011

Overall Significance of Regression Model (ANOVA)

The results of ANOVA test which revealed that the combined independent variables have significant effect on financial performance of listed insurance Firms. This can be explained by high F values (1.242) and low p values (0.011) which is less than 5% level of significance. The R square value of, $R^2 = 0.805$, also indicates that the independent variables in the multiple linear regression model could explain for approximately 80.5% of the variations in the financial performance of listed insurance Firms. The study therefore establishes that ownership concentration, domestic ownership, foreign ownership and state ownership significantly affected the financial performance of listed insurance firms. All the variables were therefore significant. This means that all these variables had a notable difference in the financial performance of listed insurance firms. However there other factors other than the ones examined in the study that constitutes the remaining 19.5% which could not be explained by the study. The results are as shown in Table 12.

Table 12: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.852	1	.213	1.242	.011
Residual	20.35	30	.171		
Total	22.64	31			

Conclusion

The objective of this study was to establish the effects of ownership structure on financial performance insurance companies listed at the Nairobi Securities Exchange in Kenya. The study findings indicate that there is a significant positive relationship between ownership concentration and the financial performance of listed insurance firms. A unit increase in ownership concentration would lead to increase in financial performance and a higher ownership concentration leads to higher profitability of listed insurance firms in Kenya. The study established that domestic ownership significantly affect financial performance. A unit increase in domestic ownership would increase financial performance. The study therefore concludes that higher domestic ownership in a listed insurance firms leads to higher profitability while lower domestic ownership leads to lower financial performance in listed insurance firms in Kenya. The study found that the foreign ownership significantly affect the financial performance of insurance firms in Kenya. A unit increase would increase financial performance. The study therefore concludes that higher foreign ownership in a listed insurance firm leads to higher profitability while lower foreign ownership leads to lower performance in listed insurance firms in Kenya. The study revealed that State ownership significantly affects the financial performance of listed insurance firms in Kenya. The study concludes that higher state ownership leads to higher profitability of listed insurance firms in Kenya. Therefore, as the ownership of the state rises in listed insurance Firms, the financial performance of the Firm rises while as the ownership falls, performance falls.

Recommendations

From the findings the study recommends that there is need for insurance companies listed at the NSE to increase ownership concentration, domestic, foreign and state ownership respectively.

Ownership Concentration

From the findings the study recommends that there is need for listed insurance Firms in Kenya to increase their ownership concentration, as it was found that ownership concentration positively affects the financial performance of listed insurance Firms in Kenya. There is need therefore to balance between majority and minority shareholders of the insurance companies.

Domestic Ownership

There is need for the management of listed insurance firms in Kenya to increase their domestic ownership, as it was found that domestic ownership significantly affect the financial performance of listed

insurance Firms in Kenya. It is recommended to have more local investors and more awareness creation programs should be undertaken to ensure that local investors are abreast of the opportunities to raise funds from the insurance firms. The insurance firms regulations should be reviewed with a view to make them stronger and more attractive to local investors

Foreign Ownership

There is need for listed insurance Firms to increase their foreign ownership, as it was found that foreign ownership would lead to increase financial performance of listed insurance Firms in Kenya. Foreign ownership employ corporate governance mechanisms processes and structures that have been successfully tested in other countries to facilitate creation of shareholder wealth in such a way that individual and collective interest of all parties is taken care of.

State Ownership

The study revealed that a unit increase in state ownership would lead to increase in financial performance of listed insurance firms in Kenya. Thus the study recommends that there is need for listed insurance firm's management to increase state ownership. State ownership has access to financial markets and resources and may be fitted to allocate resources to certain investments for social economic good in addition to making profits.

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