

## **Effect of Ownership Concentration on Financial Performance of Non Banking Financial Institutions in Kenya: A Survey of Listed Insurance Firms**

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**Abstract:** *Non-Banking Financial Institutions including insurance firms have undergone structural in the change in the recent past. The ownership especially of listed insurance companies is in the hands of local individual investors, local institutional investors or foreign investor in Kenya. Financial performance of insurance firms in Kenya has declined significantly, a situation that necessitates an examination of the contribution of ownership structure towards financial performance of the aforesaid firms. A census was done where all the six listed insurance firms were studied. Secondary data was collected and analyzed using a data collection sheet. Panel data for a period of spanning 6-years, that is, from 2012 to 2017 and with regard to the aforesaid insurance firms were procured from the capital market authority. Two null hypotheses were confirmed since the results of the ANOVA statistics indicated that the p-values for local individual ownership and foreign ownership were greater than 0.05. The study concluded that when the two groups of investors invest in insurance companies, the insurance companies tend to perform worse than from an investment from local institutional ownership. It is recommended that the insurance companies in Kenya take the appropriate ownership by local institutional ownership with an object of enhancing financial performance. The firms should ensure that they have the two groups of investors because this will maximize the financial performance of the firms. It is also important for the government of the day to ensure that political stability prevails throughout in order to mitigate possible disillusionment amongst investors including those in the local insurance industry*

**Keywords:** *Ownership concentration, local individual ownership, local institutional ownership, financial performance, listed insurance firms, non-banking financial institutions*

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### **I. Introduction**

Non-banking financial institutions (NBFIs) are described as institutions which offer financial services such as credit facilities, insurance services, and investment services amongst others and are not fully licensed to carry out banking services (Saunders & Cornett, 2011). Over the recent past assets under the management of NBFIs has significantly grown. Data from the Global Shadow Banking Monitoring Report 2014 shows assets of Insurance companies increased from US \$1307 trillion in 2002 to more than US \$27 trillion in 2013. Pension funds increased from US \$11.7 trillion in 2002 to more than US \$27 trillion in 2013 while those of NBFIs increased from US \$26.4 trillion to more than US \$75 trillion over the same period. Other NBFIs include money market funds finance companies and structured finance vehicles. In addition NBFIs assets constitute 25% of total financial system and more than half of the banking institutions assets (FBS, 2014). According to Leech and Leahy (1991), concentrated ownership has been thought to provide better monitoring incentives, and leads to superior performance in leading European firms. Bhagat and Bolton (2008) stated that a diffused ownership structure has certain benefits like increased liquidity of smaller holdings. Increased liquidity occurs when an asset can be sold quickly and easily. Investor protection of minor investors from expropriation by public laws is another benefit. The type of ownership structure a firm adopts will impact either positively or negatively on the firm. There are mixed reactions on how the several ownership structures affect firm's performance hence making it inconclusive.

The emergence of NBFIs in Africa has also not been less evident. Nigeria, South Africa and Egypt are the three biggest economies in Africa based on World Bank GDP ranking data (2015). According to Rateiwa and Azlakpono (2015) the NBFIs increased from 7% in 1971 to 23% in 2011 in Egypt, 10% to 19% between 1971 and 2011 in South Africa and 3% to 150% in Nigeria during the same period. A 2016 survey on the South African insurance industry with regard to financial services postulated that changes to the ownership structures

was validated by the object of coping with a weak economy (KPMG International, 2016). Foreign ownership of insurance firms in Angola is limited to 50%, unlike in other African countries such as Nigeria where such ownership is limitless (PwC, 2015). However, the limiting ownership by foreign investors has not inhibited the expansion of the insurance sector in the country. In a span of about 10 years from year 2000 to year 2010, the number of insurance firms in the country increased from just one to twenty-one. In Nigeria, the insurance sector has tremendously grown due to presence of enabling laws such as 100% foreign direct investment (FDI) ownership in the sector. This notwithstanding, the industry has been facing stiff competition particularly from large and well-established broad-based financial institutions (PWHC, 2015).

In Kenya in 1980's (NBFI's) grew rapidly in number, assets and liabilities because the minimum capital required to establish NBFI's was lower than needed by commercial banks. Also NBFI's were not required to maintain cash reserve ratio and they were permitted to impose higher lending rates on their facilities. Banks were restricted from undertaking mortgaging lending. Banks would lend 25% or less of their capital to any one single borrower thus enhancing growth of NBFI's. The operations of NBFI's became unsustainable and contributed to the collapse of several institutions in mid-1980's and 1990's. The insurance industry in Kenya has witnessed various forms of restructuring where the aim has been to realize revenue growth and enhanced profitability. The Insurance Regulatory Authority further states that foreigners have also increasingly invested in the local insurance sector. There are presently 6 listed insurance firms in Kenya namely; Britam Holdings, CIC Insurance, Liberty Kenya, Sanlam Kenya, and Jubilee Insurance (CMA, 2019). The critical role played by the insurance sector towards socio-economic development of the nation, in addition to the financial challenges that have facing the industry, necessitated carrying out of this study.

Ownership structures of key firms in Kenya have undergone structural changes due to privatization of programmesspearheaded by the World Bank and International Monetary Fund (IMF). As a result, government ownership has reduced significantly, thus giving rise to foreign, domestic and individual investors characterized by higher ownership concentration. This has provided the controlling shareholders with the opportunity to use their powers to undertake activities detrimental of minority shareholders thus affecting the firm's performance in NBFI's.

Reports indicate that financial performance of insurance companies in Kenya has declined significantly, and fluctuate at best. In year 2017, for instance, the listed insurance firms in Kenya recorded return on equity of 11.51 (ROE = 11.51) compared to 2012 (ROE = 26.72). The foregoing statistics are an indication of reduced attractiveness to investors of the local insurance sector. Hitherto, there is scanty, if any, empirical evidence linking ownership concentration to financial performance of listed insurance firms in Kenya. In line with this and granted that ROE is one the key indicators of financial performance, and with cognizance that ROE has significantly declined, it was imperative to investigate the effect of investor concentration on financial performance of listed insurance firms in Kenya. Therefore, this study investigated the effect of ownership concentration on financial performance of listed insurance firms in Kenya. The study was guided by two hypotheses;

- H<sub>01</sub>:** There is no statistically significant effect of local individual ownership on financial performance of listed insurance firms in Kenya.
- H<sub>02</sub>:** There is no statistically significant effect of local institutional ownership on financial performance of listed insurance firms in Kenya.
- H<sub>03</sub>:** There is no statistically significant effect of foreign ownership on financial performance of listed insurance firms in Kenya

## **II. Theoretical Underpinings**

According to Daily, Dalton and Rajagopalan (2003) and Wasserman (2006), agency model is considered as the oldest theory in the literature of management and economics. Adam Smith in his work on the wealth of nations of 1776 stated that if a firm is managed by a person or a group of persons who are not real owners, then there is a chance that they may work not work for the owners benefit (Panda & Leepa, 2017). The proponents of agency theory were Jensen and Meckling in 1976. This theory argues that agency cost would arise when there is separation between firm owners and firm managers. Jensen and Meckling (1976) defined agency relationship as where the principal engages the agent to act on his behalf. It shows how shareholders (principals) and managers (agents) operate where the later delegates responsibility to the former. The theory tries to address the conflict of interest associated with shareholders and managers. The conflict that forms agency problem is not only between shareholders and managers (principal – agent) but also between shareholders and shareholders (principal – principal) especially in developing countries (Dharwadkar, George, & Brandes, 2000)

The agency problem was operationalized in the agency theory dates back in the 1920s where Berle and Means (1932) observed that ownership structures in public companies became one in which shareholders had become so numerous and dispersed that they were no longer able to manage the companies they owned and

needed to monitor management. When management has ownership stake they tend to work with motivation to ensure good return to investment. According to Jensen and Meckling (1976) there is direct relationship between membership and agency cost.

In addition ownership concentration can greatly reduce agency cost. This happens when shareholders closely monitor the activities of management. Gilson (1990) asserts that the higher the ownership concentration the higher the motivation to monitor and protect this investment. Lee (2008) noted that foreign owners and institutions have the resource capability to properly monitor compared to other ownership identities. Douma, George and Kabir (2006) also suggested that foreign financial institutions investment decisions are made by fund managers, hence lesser agency problems because they have better monitoring capabilities and their investment decisions tend to be more informed since they seek the services of professional manager.

This study has used agency theory because it states that the separation of ownership from control for an organization creates agency issues that results to conflict between shareholders and managers (Jensen & Meckling, 1976). According to this theory agents (managers) should act on behalf of principals (shareholders) to maximize their value. However sometimes under ownership concentration, minority shareholders are not legally protected, creating conflict. On the other hand, foreign owners have more resources and capacity thus increasing their monitoring capabilities.

A steward protects and maximizes shareholders wealth through firm performance because by doing so the steward's utility functions are maximized (Davis, Schoolman, & Donaldson, 1997). This theory states that managers will indeed act as responsible stewards of the assets they control if left on their own. It specifies certain mechanisms which reduces agency loss including the executive, compensation, levels of benefits and also manager's incentives schemes by rewarding them financially or offering shares that align financial interest of executives to motivate them for better performance (Jay & William, 2008).

Stewardship theory therefore emphasizes on the role of management being as stewards, integrating their goals as part of organization (Davis et al., 1997). The theory recognizes the importance of governance structures that empower the steward and offers maximum autonomy built on trust (Donaldson & Davis, 1991). It stresses on the position of employee to act more autonomously so that shareholders returns are maximized. Indeed this can minimize the cost aimed at monitoring and controlling employees' behaviour (Davis et al., 1997).

In order to protect their reputation as decision makers in organizing managers are inclined to operate the firm to maximize financial performance as well as shareholders profits (Daily et al., 2003). This theory is an alternative view of agency theory, in which managers are assumed to act on their self – interests at the expense of shareholders. The stewardship theory holds that performance variations arise from whether structured situations in which an executive is located facilitates effective action by the executive. The issue becomes whether or not the organizational structures helps the executive to formulate and implement plans for high corporate performance (Donaldson, 1985).

Klungland and Sunde (2009) assessed the effect of ownership structure on firm performance of Norwegian listed firms. The purpose of the study was to determine the relationship between ownership structure and firm performance. The study used three econometric approaches and past empirical literature review. Quarterly data were obtained from the firms listed at the Oslo Stock Exchange between 2001 and 2007. The results of the study were that individual ownership has a negative but significant relationship with firm performance.

EL-Habashy (2019) analyzed the effect of board and ownership structures on the performance of publicly listed companies in Egypt. The study sought to examine the association between various corporate governance mechanisms and performance of listed firms in the country. Financial performance was measured using return on assets and return on equity. The study sample comprised of 40 listed firms. Data were collected between 2009 and 2014 and panel data regression was used for testing the hypothesis. The study found out that individual ownership has insignificant impact on accounting and market performance.

Benson (2015) investigated the relationship between ownership structure and financial performance of companies listed at the Nairobi securities exchange (NSE). The goal of the study was to establish the relationship between local individual ownership and financial performance of listed firms. Descriptive research design was employed for the study. A census was conducted on all the firms listed at the NSE between 2010 and 2014. Secondary data was obtained from the NSE handbook and annual returns of shareholders distribution. Multiple regression analysis was used for the study. The findings of the study showed that local individual shareholding had a negative effect on return on assets of firms listed at the NSE and the relationship was not statistically significant.

A study conducted in Jordan by Dana (2015) evaluated the effect of Institutional ownership on firm performance of listed firms in the country. The objective of the study was to establish the impact of institutional ownership on firm's performance. The sample population of the study consisted of 82 non-financial firms listed at the Amman Stock Exchange. Panel data regression analysis and three ordinary least squares models were

adopted for the study. The study revealed that there is a relationship between institutional ownership and firm performance in Jordanian listed firms. The study also concluded that the existence of institutional ownership could affect the type and risk level of investment decisions taken by the management which consequently affects the firm's performance.

Gugong, Arugu and Dandago (2014) analyzed the impact of ownership structure on the financial performance of listed insurance firms in Nigeria. One of the objectives of the study was to determine the influence of institutional ownership structure on financial performance. The study utilized panel data for the period of 10 years. The study used return on assets and return on equity to measure firm performance. The sample population for the study included 17 listed insurance firms. Regression analysis was used for the study. The results of the study revealed that there was a positive relationship between institutional shareholdings and financial performance.

Nzioka and Olwey (2017) examined share ownership types and financial performance of firms listed at the Nairobi Securities Exchange. One of the objectives of the study was to establish the relationship between institutional ownership and firm performance of firms listed at the NSE. Descriptive research design was used for the study. The study sample population comprised of 64 firms listed at the NSE as at 31<sup>st</sup> December 2015. Census was used since all the companies were used in the study. The study utilized data which was available from 2006 to 2015. Secondary data were obtained from NSE handbooks available from CMA libraries. The findings were that there was a positive and significant relationship between institutional ownership and firm performance.

Cekrezi (2015) analyzed the determinants of financial performance of insurance companies in Albania. The objective of the study was to determine the factors that affect financial performance of insurance companies in the country. The study sample comprised of 5 insurance companies. The study used cross-sectional time series data obtained from balance sheet and annual reports delivered to state tax office. The results of the study revealed that tangibility had a positive effect on financial performance of insurance companies while risk and total debt ratio had a negative but significant impact on financial performance. The study, further, concluded that insurance companies should avoid high levels of leverage so as to reduce the problem of bankruptcy.

Awuah, Kwaning and Aidoo (2015) assessed the financial performance of listed insurance companies in Ghana. The purpose of the study was to compare the financial performance of insurance companies listed at the Ghana Securities Exchange (GSE). Secondary data was obtained from the annual audited financial statements and National Insurance Commission's annual reports. The study considered 2 listed insurance firms. The results of the study were that there was no significant difference in the profitability ratios of the two listed insurance firms. The study also noted that there was significant difference on the financial performance of the two companies.

Wanyama and Olweny (2013) investigated the effects of corporate governance on the financial performance of listed insurance firms in Kenya. The main goal of the study was to establish the influence of corporate governance on the financial performance of listed insurance companies in the country. Descriptive research design was adopted for the study. Stratified random sampling technique was used. The study population consisted of all the 45 listed insurance companies. Primary data were collected by the use of questionnaires while secondary data were collected from the firm's annual reports. The study findings revealed that there exists a strong relationship between corporate governance and financial performance of listed insurance companies in the country.

### **III. Research Methodology**

Descriptive research design was used in this research design with a target population of six insurance firms listed in the Nairobi securities exchange. The study was a census of six listed firms that meet this criterion. At the time of collecting the data for this study, there were only 6 listed insurance firms. These included; Britam Insurance, CIC Insurance, Jubilee Insurance, Kenya Re, Liberty Kenya, and Sanlam Kenya. Therefore, the study adopted a census as a sampling technique.

In this study, secondary data was collected from the Capital Markets Authority. Data collection sheet was used as the research instrument. Panel data was collected for a period of six years 2012-2017 in the six listed insurance companies in Kenya. The null hypotheses were tested at 95% confidence level ( $p$ -value = 0.05) using the ANOVA test statistics. The results of the analyses were presented in tabular form and were accompanied by pertinent interpretations and discussion.

### **IV. Results And Discussion**

The results of the analysis in respect of ownership concentration and financial performance of insurance firms listed at the Nairobi Securities Exchange are presented in this section. Panel data for six years dating from 2012 to 2017 were collected and subsequently analyzed. In order to determine the extent to which ownership structure affected financial performance of listed insurance firms, partial (bivariate) regression and

ordinary least squares (multivariate) regression analyses were adopted. Partial regression analysis was used to determine the effect of each component of ownership structure (local individual ownership, local institutional ownership, and foreign ownership) on financial performance (ROE).

It was established as shown in Table 1 that R was -0.271 which indicated a weak negative partial correlation between local individual ownership and financial performance of listed insurance firms in Kenya. R square was 0.073 which meant that only 7.3% of variation in financial performance of listed insurance firms in Kenya could be explained by concentration of local individual ownership. The rest 92.3% of the model can be explained by other factors not in the model. The results are indicated in table 1

**Table 1 Model Summary for Local Individual Ownership Concentration and ROE**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	-0.271	.073	.058	9.12938

The ANOVA results for the linear model are presented in table 4.9. The results indicate that local individual investor concentration and financial performance had an F value = 0.316 which is insignificant with p value = 0.604 which is greater than 0.05. The overall model is insignificant and cannot be used to predict financial performance of listed insurance firms in Kenya. The study therefore confirms the null hypothesis that local individual ownership concentration has no statistically significant effect on financial performance of listed insurance firms in Kenya.

**Table 2 ANOVA for Local Individual Ownership Concentration and ROE**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	26.342	1	26.342	.316	.604
Residual	333.382	34	83.346		
<b>Total</b>	<b>359.725</b>	<b>35</b>			

The regression coefficients of the model are shown in Table 3. From Table 3, there is a negative beta coefficient of -0.157 as indicated by coefficient matrix with a p value 0.604 which is more than 0.05. The constant was 20.770 with a p value of 0.132 which is greater than 0.05. Therefore, both the constant and local individual ownership concentration cannot provide information to be used to predict financial performance of listed insurance firms in Kenya. Therefore, this study was not able to develop an equation relating between local individual ownership concentration and the financial performance.

**Table 3 Regression Coefficients for Local Individual Ownership and ROE**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	20.770	10.985		1.891	.132
Concentration of Local Individual Ownership	-.157	.280	-.271	-.562	.604

The results shown in Table 4 show that R was 0.815. This means that correlation between local institutional ownership concentration and financial performance of listed insurance firms was strong and positive. The R square was 0.664 which indicated that 66.4% of the variation in financial performance of listed insurance firms in Kenya can be explained by local individual ownership concentration. The rest 33.6% can be explained by other factors not in this model. The results are as indicated in Table 4

**Table 4 Model Summary for Local Institutional Ownership Concentration and ROE**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.815	.664	.580	5.49752

The ANOVA results for the linear model are presented in table 5. The results indicate that local institutional ownership concentration and financial performance had an F value = 7.902 which is significant with p value = 0.048 which is less than 0.05. The overall model is significant and can be used to predict financial performance of listed insurance firms in Kenya. The study therefore rejects the null hypothesis that local institutional ownership concentration has statistically significant effect on financial performance of listed insurance firms in Kenya.

**Table 5 ANOVA for Local Institutional Ownership Concentration ROE**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	238.834	1	238.834	7.902	0.048
Residual	120.891	34	30.223		
<b>Total</b>	<b>359.725</b>	<b>35</b>			

The regression coefficients of the model are shown in Table 6. From Table 6, there is a positive beta coefficient of 0.456 as indicated by coefficient matrix with a p value 0.048 which is less than 0.05. The constant was -7.625 with a p value of 0.412 which is greater than 0.05. Therefore, both the constant cannot be used to predict financial performance from and local institutional ownership concentration. However, financial performance can be predicted from local institutional ownership concentration. Therefore, the model can provide information needed to predict financial performance from local institutional ownership concentration. The regression equation is presented as follows;  $Y = 0.456X_2$ ; Where Y = Financial Performance and  $X_2$  is the local institutional ownership concentration

**Table 6 Regression Coefficients for Local Institutional Ownership and ROE**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-7.625	8.342		-.914	.412
Concentration of local institutional ownership	.456	.162	.815	2.811	.048

The results shown in Table 7 show that R was 0.806. This means that correlation between foreign ownership concentration and financial performance of listed insurance firms was strong and positive. The R square was 0.650 which indicated that 65% of the variation in financial performance of listed insurance firms in Kenya can be explained by foreign ownership concentration. The rest 35% can be explained by other factors not in this model. The results are as indicated in Table 7

**Table 7 Model Summary for Foreign Ownership and Financial Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.806	.650	.563	5.60785

The ANOVA results for the linear model are presented in table 8. The results indicate that foreign ownership concentration and financial performance had an F value = 7.439 which is insignificant with p value = 0.053 which is greater than 0.05. The overall model is insignificant and cannot be used to predict financial performance of listed insurance firms in Kenya. The study therefore confirms the null hypothesis that foreign ownership concentration has no statistically significant effect on financial performance of listed insurance firms in Kenya.

**Table 8 ANOVA for Foreign Ownership and Financial Performance**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	233.933	1	233.933	7.439	.053
Residual	125.792	34	31.448		
<b>Total</b>	<b>359.725</b>	<b>35</b>			

The regression coefficients of the model are shown in Table 9. From table 9 there is a negative beta coefficient of -0.631 as indicated by coefficient matrix with a p value 0.053 which is greater than 0.05. The constant was 23.335 with a p value of 0.004 which is less than 0.05. Therefore, only the constant can be used to predict financial performance from foreign ownership concentration. Foreign ownership concentration cannot be used to predict financial performance of listed insurance firms in Kenya. Therefore, the model that can be used to predict financial performance from foreign ownership concentration can be given by the following equation;  $Y = 23.335$ ; Where Y is the financial performance

**Table 9 Regression Coefficients for Foreign Ownership and Financial Performance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	23.335	3.830		6.093	.004
Foreign Investors	-0.631	.231	-.806	-2.727	.053

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	23.335	3.830		6.093	.004
Foreign Investors	-0.631	.231	-.806	-2.727	.053

**Multivariate Linear Regression Analysis**

Multivariate (OLS) or multiple regression analysis was used to determine the effect of ownership concentration on financial performance of listed insurance firms in Kenya. The pertinent results are presented in Tables 10, 11 and 12. As displayed by Table 10, the general correlation (R = 0.998) between concentration of ownership was interpreted to mean that there existed a positive and strong relationship between local individual ownership, local institutional ownership and foreign ownership combined and financial performance (ROE) of listed insurance firms in Kenya. The results in table 10 show that R square was 0.996. This implies that 99.6% of the variation in financial performance is explained by the variations in the independent variables jointly (local individual ownership concentration, local institutional ownership concentration and foreign ownership concentration). The remaining 0.4% can be explained by other factors that are not in the model. This shows a very good fit of the multiple data on the regression model. The fitness less is higher than all the individual variables had on the financial performance

**Table 10 Model Summary on Combined Effect**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998	.996	.991	.81799

The analysis of variances (ANOVA) in table 11 shows a good result for the multiple linear regression analysis model. It indicates that ownership concentration affects financial performance positively. F value = 178.537 with a p value of 0.006. This p value is less than 0.05. This confirms the model's goodness of fit to explain the variations and validate that the (local individual ownership concentration, local institutional ownership concentration and foreign ownership concentration) affect the financial performance.

Therefore, the null hypothesis was rejected that there is no statistically significant joint effect of ownership concentration on financial performance of listed insurance firms in Kenya. The conclusion is that the three variables while taken together have a significant joint effect on financial performance of listed insurance firms in Kenya and can be used to predict financial performance.

**Table 11 ANOVA for Multiple Regression Analysis**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	358.386	3	119.462	178.537	.006
Residual	1.338	32	.669		
Total	359.725	35			

Table 12 shows that the constant and all the independent variables are significant. The constant was 857.470 with a p value of 0.025 which is less than 0.05. Therefore, the constant was significant to be included in the model. The three independent variables were all negative. However, their p values are all less than 0.05 and therefore the variables are statistically significant in predict the financial performance of the listed insurance firms in Kenya. All the three together with the constants are included in the model. The regression equation is presented as follows;  $Y = 857.470 - 8.504X_1 - 8.294X_2 - 8.841X_3$

Where;

Y = Financial Performance

X<sub>1</sub> = Local Individual ownership Concentration

X<sub>2</sub> = Local Institutional ownership Concentration

X<sub>3</sub> = Foreign ownership Concentration

**Table 12 Beta Coefficients of the Variables of the Combined Model**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	857.570	139.452		6.149	0.025
Concentration of Local Individual Ownership	-8.504	1.391	-14.638	-6.115	0.026
Concentration of Local Institutional Ownership	-8.294	1.410	-14824	-5.884	0.028
Concentration of Foreign Ownership	-8.841	1.374	-11.302	-6.434	0.023

## V. Conclusion

The findings of the study led to the conclusion that the number of local individual investors in listed insurance firms in Kenya increased over the period of study, that is, 2012 to 2017. This study further concludes that concentration of local individual investors do not affect the performance of listed insurance companies in Kenya. It does not matter what lever of local individual ownership concentration, the level of financial performance will remain the same. This further, indicates that less emphasis ought to be given to these local individual ownership, and instead encourage local institutional owners whose study results indicated that they significantly enhanced the financial performance.

On inferential results, this study concludes that concentration of local institutional ownership has an effect on the financial performance of listed insurance companies in Kenya. The correlation between the foreign ownership concentration and the financial performance was positive which implies that if the level of concentration of foreign ownership goes high, the financial performance will go high and vice versa. This further, indicates that more emphasis ought to be given to these local institutional ownership because the study results indicated that they significantly enhanced the financial performance.

## VI. Recommendations

The following are the recommendations of the study;

- (i) There should be forums organized by relevant authorities and entities to educate the public on the need, importance, and the approaches of investing in listed firms in Kenya. The foregoing is bound to reduce fluctuation of local individual ownership of listed firms including insurance companies in Kenya. It is also important for listed insurance firms of finding ways of ensuring that individuals who have invested with them do not fluctuate in their numbers and/or investment.
- (ii) The directorship and senior management of listed insurance firms in Kenya should formulate policies and strategies aimed at attracting local institutional investors. This is likely to increase the proportional ownership of local institutional investors, to the betterment of the financial performance of the listed insurance firms. It is also advisable for the relevant entities to unearth the genesis of reduced ownership of listed insurance firms by local institutional investors. The underlying issues should then be addressed with the necessary gravity.
- (iii) In addition, the study recommends that the management of the listed insurance firms in Kenya should devise ways of ensuring that these firms are able to withstand the dynamisms orchestrated by the politico-socio-economic factors to which the country is intermittently exposed to. This would ensure consistent investment in the insurance industry especially by local institutions regardless of the prevailing aforementioned factors. It is also important for the government of the day to ensure that political stability prevails throughout in order to mitigate possible disillusionment amongst investors including those in the local insurance industry.

## VII. Suggestions For Further Research

This study recommends a further research on why the local institutional ownership concentration brings about better financial performance and not the other two groups of investors; local individual and foreign investors.

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