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**EFFECT OF ORGANIZATIONAL FACTORS ON FINANCIAL
DEEPENING OF THE INSURANCE SECTOR IN KENYA**

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73085

**Submitted in Partial Fulfilment of the Requirements for the Award of a
Master of Science Degree in Development Finance at Strathmore
University.**



**STRATHMORE BUSINESS SCHOOL
STRATHMORE UNIVERSITY
NAIROBI, KENYA.**

MAY 2024

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Mohamed Abdullahi Mahat

Signature:

Date: 30th May 2024

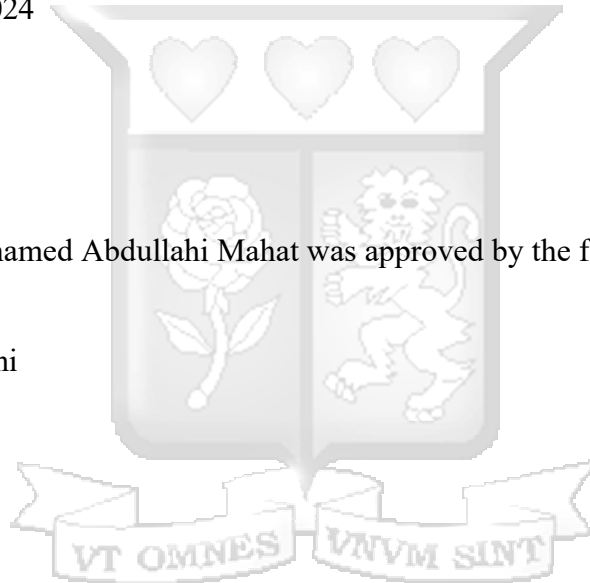
Approval

The thesis of Mohamed Abdullahi Mahat was approved by the following:

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ABSTRACT

The study aims to investigate the effect of organizational factors on financial deepening of the insurance sector in Kenya. It seeks to determine the levels of financial deepening in the Kenyan insurance sector, explore the relationship between firm factors and financial deepening, and identify management strategies to enhance financial deepening among insurance firms. Despite many researchers examining financial deepening, their focus has been majorly on commercial banks and other financial institutions and the studies show that insurance companies are facing sustained competition for insurance businesses. The reality is that insurance firms' financial deepening effect differs from that of banks, MFIs, and SACCOs. With the insurance sector growing as an alternative investment vehicle, financial deepening would assist insurance companies survive rising competition from non-bank financial institutions and commercial banks. Drawing upon the Theory of Financial Intermediation and Financial Inclusion Theory, the study's objectives were to determine the levels of financial deepening, to establish the relationship between corporate governance factors, company characteristics and financial characteristics with financial deepening of insurance firms in Kenya and to identify management strategies to achieve financial deepening. The population consists of 55 insurance firms in Kenya registered with the Association of Kenya Insurers (AKI), making it a census study. The study adopted a quantitative longitudinal research design, utilizing both primary data collected using questionnaires and secondary data from Insurance Industry Annual Reports for the relevant years. Hierarchical multiple regression analysis was used to examine the effect of organizational factors on financial deepening. Findings suggest that organizational factors significantly influence financial deepening in the insurance sector and reliably predict its outcomes. These factors encompass corporate governance, company-specific characteristics, and financial metrics. In terms of management strategies, the study highlights the importance of technology adoption for risk assessment, disclosure of material information to consumers, and the promotion of financial digitalization to enhance access to insurance products. Recommendations stemming from the research include implications for practice, policy formulation, and knowledge enhancement in the insurance sector.

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LIST OF ABBREVIATIONS

AKI	Association of Kenya Insurers
FD	Financial Deepening
GDP	Gross Domestic Product
GPI	Gross Premium Income
IMF	International Monetary Fund
IRA	Insurance Regulatory Authority
ROA	Return on Assets
ROE	Return on Equity
SACCOs	Savings and Credit Cooperative Societies

DEFINITION OF KEY TERMS

FD	The increased provision of financial services with a wider choice of instruments at a broader range of prices.
GDP	The measure of the economic performance of a country or region, defined as the total monetary value of all final goods and services produced within a specific geographic area over a specific period
ROA	This is a financial performance metric that measures the profitability of a company relative to its total assets.
ROE	This is a financial performance metric that measures the profitability of a company in relation to its shareholders' equity.

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DEDICATION

To the Almighty Allah, thank you for giving me the health and resources to undertake this study. To my beloved Parents, who made me the person I am today, May God bless you. To my wife and children, thank you for having the patience to understand the research process and giving me time to work on my thesis.



CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The process of financial deepening has several good impacts in both developed and emerging countries, especially by increasing the rate at which capital is acquired. These favorable effects may be seen in these countries. According to Demetriades, Rousseau, and Rewilak (2016), it is possible to demonstrate that the vulnerability that is inherent in growing financial systems can have an effect on short-term economic growth. This is despite the fact that long-term economic growth is undeniably important. This is due to the fact that when an economy develops, the development of financial systems can increase the sector's susceptibility to factors such as systemic risk, oscillations in economic growth and decline, and overall instability in the financial world. Furthermore, a substantial level of financial deepening can serve as an indicator of the extent to which the potential impact of a financial crisis can be appraised. This is because major financial deepening tend to be more widespread.

In addition, Sahay, Cihak, N'Diaye, and Barajas (2015) argued that the rate at which the complexity of the financial system increases may have implications for the expansion of the economy. According to the findings of the study, quick and excessive deepening could lead to financial instability in the absence of adequate supervision and regulation. This is because sector players are taking more risks without effective monitoring. Indicators of financial depth are utilized in order to determine the degree to which the financial sector has contributed to the expansion of the economy. An increase in financial deepening would be of assistance to insurance businesses in their efforts to survive the increasing competition from commercial banks and non-bank financial organizations. This is because the insurance sector is emerging as an alternative investment vehicle. In spite of the fact that there is a requirement for financial deepening, the insufficient presence of empirical literature offers a good rationale for the current study.

It is via the creation of extra financial instruments that the insurance business makes it possible to enhance financial depth. According to Nwosu, Itodo, and Ogbonnaya-Orji (2021), this would make it possible for them to continue to be profitable despite the increasing competition from commercial banks and other non-bank financial institutions.

A robust financial system is essential to economic growth because it encourages people to save money, makes it easier for people to share information, improves the efficiency with which resources are distributed, and makes it possible to effectively manage risks and diversify investments. Taking all of these considerations into consideration, growth in the real sector is stimulated. There is a widespread belief that a more developed financial system is also more stable, and hence, less prone to fragility. This is a prevalent belief. Financial deepening is the increased provision of financial services with a wider choice of instruments at a broader range of prices and it leads to the creation of deep and liquid financial systems. This means that these systems are more resistant to the effects of economic shocks than shallow financial systems (Batuo, Mlambo, & Asongu, 2017).

In Kenya, the insurance industry contributes to the development of the financial services sector. The sector is essential to the transformation of Kenya's economy with regard to Vision 2030. In addition, the levels of assets in the insurance business have increased by 10.4%, reaching KSh 845.8 billion in December 2021, up from KSh 765.9 billion in 2020. This indicates that the industry has undergone some expansion. With regard to earning assets, long-term and general enterprises invested a total of KSh 524.4 billion (78.5%) and KSh 143.9 billion (21.5%) respectively. Government securities accounted for the majority of the assets held by investors (71.7%), followed by investment property (10.7%), and bank savings (6.9%). Compared to the KSh 50.6 billion in investment income in 2020, the stock market rebound increased investment income by 34.4 percent, bringing it to KSh 68.2 billion in 2021.

The study of the effect of organizational factors on financial deepening in Kenya's insurance sector is motivated by the sector's underperformance despite its significant potential for economic development. Financial deepening, characterized by an increased provision of financial services, is crucial for economic stability and growth. However, Kenya's insurance sector faces challenges such as low penetration rates and limited product innovation (Financial Sector Deepening Kenya, 2017; Ndung'u, 2019). Understanding how organizational factors like corporate governance, management practices, and innovation capacity influence financial deepening can provide insights into overcoming these barriers (Organisation for Economic Co-operation and Development [OECD], 2020).

Improved organizational practices could lead to enhanced competitiveness, increased consumer trust, and better regulatory frameworks (Insurance Regulatory Authority, 2022). Therefore, this study aims to fill the gap in existing literature and provide actionable recommendations for policymakers and industry stakeholders, ultimately contributing to the sector's growth and the broader economy.

1.1.1 Financial Deepening of the Insurance Sector

Increasing the depth, liquidity, efficiency, and quantities of financial instruments, institutions, and markets are all examples of deepening the financial system. Financial deepening is a term that refers to the expansion and improvement of financial systems through various ways. According to the International Monetary Fund (2015), it also involves broadening access to banking and other financial services as well as diversifying local sources of financing. In the context of the insurance sector, this would be indicative of an increase in the amount of money spent on insurance, which is defined as the ratio of total gross premiums to the Gross Domestic Product (GDP). There are a variety of important economic functions that insurance performs, the majority of which are distinct from those performed by other types of financial intermediaries. In order to highlight the unique qualities that insurance possesses, it is essential to place emphasis on the services that are unique to insurance and are not provided by any other suppliers of financial services. According to Ndalú (2016), this does not extend to the savings components that are contained in whole or universal life insurance.

There is a wide range of financial deepening trends in the insurance industry across the world. There is a positive comparison between Kenya's financial deepening indicators (M2 to GDP ratio and domestic credit to the private sector as a percentage of GDP) and those of its peers in Sub-Saharan Africa, such as Ghana and Uganda. However, Kenya's indicators have not yet reached the desired levels, as is the case in developing economies like India and developed countries like the United Kingdom. To give just a few examples, the ratio of M2 to GDP in Kenya has constantly climbed from 35.8 percent in 1998 to 50.8 percent in 2022. Similarly, Ghana's ratio has increased from 22.9 percent to 30.9 percent in 2021, and Uganda's ratio has increased from 14.9% in 1998 to 24.3% in 2022. India's M2 to GDP ratio went from 48.1% in 1998 to 76.3% in 2022, while South Africa's

increased from 56.5 percent in 1998 to 78.3% in 2022. Both of these figures pertain to growing market economies. According to Obonyo (2014), the situation is different in the developed world, where the ratio has remained higher than one hundred percent for the same time span as it has in the United Kingdom itself.

Through the reduction of losses and the facilitation of the measurement and management of non-diversifiable risk, the insurance industry plays a significant role in the commercial transactions and the provision of credit. Insurance policies typically require the policyholder to make consistent, modest payments in exchange for protection against losses that are not only unpredictable but also potentially severe (Baruti, 2020). In addition, the phenomenon of income smoothing helps to prevent excessive and costly bankruptcies and makes it easier for businesses to extend credit to their customers. First and foremost, the existence of insurance makes it possible for cautious individuals and enterprises to engage in activities that are either more dangerous or potentially more rewarding than they would be if they did not have insurance. As a result, this contributes to enhanced growth and production. The ratio of gross premium income (GPI) to gross domestic product (GDP) is used to calculate insurance penetration, which is then expressed as a percentage (Din, Arpah, & Angappan, 2017). Insurance penetration is a measure of the progress that the insurance business has made.

1.1.2 Insurance Industry in Kenya

According to the Insurance Regulatory Authority's annual reports, the industry has been experiencing greater growth as a result of higher acceptance of insurance, which is a direct result of high levels of confidence among the general people. There has been an increase in investment performance, which justifies the requirement for financial deepening in order to maintain investment performance. From the Kshs 50.86 billion that was realized in 2020, the total revenue from investments in 2021 was Kshs 70.31 billion, which represents a 38.2% increase over the previous year's total. The investments that were made over a longer period of time yielded the biggest returns, amounting to a total of 52.72 billion Kenyan shillings. These investments accounted for 75% of the total revenues from industrial investments. As an additional point of interest, the general insurance business achieved investment income of Kshs 150.62 billion by the end of the second quarter of 2022, which

represents a 4.1% increase from the previous year (2021) (IRA, 2022). Insurance firms concentrated the most of their attention on government bonds, treasury bills, and term deposits when it came to portfolio investments. These three types of investments constituted the majority of the overall investment portfolio. It is important to note, however, that the investment income of long-term insurance companies dropped by 37.0% to Kshs 16.6 billion in the first half of 2022, compared to Kshs 26.3 billion in the first half of 2021. As a direct consequence of this, the return on investment for insurance businesses had decreased by 1.9% points, going from 4.7% to 2.8%.

According to Jacob, Nwala, and Suberu (2023), the process of financial deepening is highly dependent on improved financial performance. This is because improved financial performance would lead to increased financial inclusion by increasing the availability of insurance and other financial commodities. As a result of recent legislative reforms, the insurance industry has been experiencing increased competition, which has resulted in the bankruptcy of businesses as well as significant mergers and acquisitions from other companies. There has been a significant amount of financial innovation within the business, which has led to the development of a wide variety of services and products, such as investment products and life insurance. Through a method known as bancassurance, financial institutions such as Equity Bank of Kenya are rapidly expanding their market position in the distribution of insurance products, particularly annuities and life insurance. This is becoming increasingly common in other regions. It is a fallacy to suppose that the operation of insurance requires any one-of-a-kind or obscure processes (He, Zhang, Zheng, & Wan, 2019). This is despite the fact that mainstream financial institutions tend to ignore insurance.

1.2 Statement of Research Problem

The insurance industry is essential to the expansion of the economy because it mitigates the effects of macroeconomic shocks that are detrimental to economic growth. According to Kelsey and le Roux (2018), in order to eliminate economic uncertainty and make business conditions more favorable, it is necessary to ensure that all segments of society, including those engaged in domestic and economic activities, have financial stability. As a result, financial deepening places an emphasis on the ways in which the efficiency,

liquidity, depth, and accessibility of the insurance sector contribute to increased financial inclusion. More money is spent on insurance, as measured by the proportion of direct gross premiums to GDP. According to Kang'ombi and Mungule (2023), financial deepening is influenced by factors such as the size of the insurance company, the proportion of market share, the loss ratio, the age of the company, underwriting risk, premium growth, and liquidity. The financial deepening of Kenya's insurance business is contingent upon a number of different circumstances.

Kenya's financial services sector is able to grow thanks to the assistance of the insurance business. It is regarded as an essential component of Kenya's economic change by Vision 2030. The asset base of the insurance industry increased by 10.4% from 765.9 billion in 2020 to 845.8 billion in December 2021, reaching a total of 845.8 billion. The long-term and general enterprises invested a total of KSh 524.4 billion (78.5%) and KSh 143.9 billion (21.5%) in earning assets during the course of the year. Despite this, insurance penetration levels in Kenya have remained for a long time below global averages which indicates a large, uninsured customer base. At 3%, Kenya has the third lowest insurance penetration rate in Sub-Saharan Africa with South Africa leading at 17% (IRA Annual Reports, 2022). Furthermore, the sector is facing competition from other players in the financial sector. The most popular investments were bonds issued by the government (71.7%), real estate investments (10.7%), and savings accounts from banks (6.9%). As a result of the capital market bounce, investment income surged by 34.4%, reaching KSh 68.2 billion in 2021, up from KSh 50.6 billion in their previous year, 2020. There is a growing threat of increased competition from financial institutions for insurance businesses as capital markets continue to strengthen.

Many researchers have examined financial deepening. Attah-Botchwey, Awadzie, and Agbenyezi (2022) found that financial deepening improves stock market performance statistically. The study was contextualized in Ghana, hence a contextual gap, since the current study is based on Kenya. Azu-Nwangolo and Ogechi (2018) found that financial deepening affects Nigerian commercial banks' total client deposits. Chinedu and Chukwudi (2022) found that insurance premium income and claims paid negatively correlated with Nigerian financial deepening. Yusuff and Olaniran-Akinyele (2019) found that financial

deepening affects Nigerian deposit money banks. They indicated that government policies predicted financial deepening the greatest, followed by bank credit, deposits, and interest rates. Financial deepening significantly affects commercial bank performance, according to Olawumi, Lateef, and Oladeji (2017) Ndalu (2016) concluded that policy and institutional factors affect financial deepening, which affects Kenyan economic growth.

The reviewed research shows conceptual and contextual gaps. When the factors of attention differ from the current investigation, conceptual gaps exist. Study dependent factors were stock performance, customer deposit, financial performance, and economic performance. This study examines organizational factors affecting financial deepening in the Kenya's insurance sector. The contextual gap is due to financial deepening in commercial banks, other industries, and countries. The reality is that insurance firms' financial deepening effect differs from that of commercial banks, micro finance organizations, and SACCOs. With the insurance sector growing as an alternative investment vehicle, financial deepening would assist insurance companies survive rising competition from non-bank financial institutions and commercial banks. Despite the need for financial deepening, empirical literature does not focus more on the insurance industry. Following the discussion put forth, the current research intends to answer the question 'What is the effect of organizational factors on financial deepening of insurance firms in Kenya?'

1.3 Research Objectives

The study is based on the following objectives:

1.3.1 General Objective

To examine the effect of organizational factors on financial deepening of the insurance sector in Kenya.

1.3.2 Specific Objectives

- i. To establish the relationship between corporate governance factors and financial deepening of insurance firms in Kenya.
- ii. To find out the relationship between company non-financial characteristics and financial deepening of insurance firms in Kenya.

- iii. To find out the relationship between company financial characteristics and financial deepening of insurance firms in Kenya.
- iv. To identify management strategies to achieve financial deepening among insurance firms in Kenya.

1.4 Research Questions

- i. What is the relationship between corporate governance factors and financial deepening of insurance firms in Kenya?
- ii. How does company non-financial characteristics relate with financial deepening of insurance firms in Kenya?
- iii. What is the relationship between company financial characteristics and financial deepening of insurance firms in Kenya?
- iv. Which management strategies can be used to achieve financial deepening among insurance firms in Kenya?

1.5 Significance of the Study

The study offers significant assistance to theory, practice and policymaking. Regarding theory, the findings are likely to offer academicians a basis of understanding key issues in financial deepening among financial institutions, with a focus on insurance companies and their financial performance. The goal is to ensure that there is an understanding of how insurance companies can mobilize funds, through financial deepening and eventually improve financial performance. This would invite numerous research in the less researched area of financial deepening in the insurance industry.

In practice, the research would guide the staff and management of insurance companies to design innovative approaches that would enhance financial transactions and eventually, financial performance. The study would create insights that would enable formulation of approaches focusing on people who are not included in insurance cover. This would therefore enhance the need for insurance inclusion to improve financial deepening. The research would also help insurance companies to formulate a good mix of financial deepening and put in place an appropriate method of dealing with managing deposits. The

study also gives managers of insurance company's food for thought in considering the practical trade-offs in digitizing the funds mobilization process.

Finally, the research findings would be of great help in the development of policies for changing intervention measures regarding risks related to financial deepening. This study would also help in the formulation of risk management policy to help define guidelines that can be used in controlling financial deepening process. The study equally encourages policymakers to develop guidelines for adoption of different financial deepening approaches, in such a way that customer data integrity is not at risk, and financial risk exposures are effectively managed.

1.6 Scope of the Study

This study targeted insurance firms that are registered with Association of Kenya Insurers (AKI) as of December 2022. They are fifty-five (55) in number. The justification is that AKI is the recognized body that offers advisory and capacity building for the industry players. AKI therefore publishes reports on the performance of the industry and the specific firms, making it easy to access data on financial performance. Due to the small number, all the firms were targeted and therefore this is a census study.

The study covered five years, 2018–2022. This is a period of time when the insurance sector required innovative leadership and adaptable institutions to cope with the dynamic environment locally and worldwide. Issues affecting insurance operations during this period creating an interest for study include; IFRS17 accounting standards, ESG integration, climate risk and financing, data and technology adoption, and changing consumer demands for new products and distribution channels. The study relied on secondary data from the published annual reports for each firm for the period under study. Further, the study relied on GDP for the five years under study as published by the Kenya Bureau of Statistics, IMF and World Bank. Data that was gathered from the published annual reports included gross premiums, total assets, and Return on Assets (ROA).

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter elucidates the perspectives of various scholars regarding the determinants that impact the expansion of financial services within insurance companies in Kenya. Additionally, it delineates several pertinent theories. Additionally, it provides a concise overview of the examined empirical literature, the discovered gaps, and the conceptual structure.

2.2 Theoretical Review

This is an analysis of theories that underpin the study based on empirical and academic perspectives that forms the study. The major theories include Theory of Financial Intermediation and Financial Inclusion Theory. The rationale of these theories is based on the argument that financial deepening requires the activities of the financial intermediaries, and it thrives well in the environment of financial inclusion. The analysis is as follows:

2.2.1 Theory of Financial Intermediation

The theory was proposed by Gurley and Shaw in 1960. According to the theory, financial intermediation occurs when financial institutions use their own funds to buy other assets in the market. The idea is that by acting as go-betweens, intermediaries can lower transaction costs and level the playing field when it comes to information, and this enhances financial deepening. According to Akoto and Nabieu (2014), the effectiveness of financial intermediation relies on the proper allocation or use of excess funds to make up for insufficient funds. Thus, insurance companies and other financial intermediaries remove mismatches between businesses and savers. According to Hassani, Mushtaq, and Bahini (2023), financial deepening (FD) is crucial for industrial development and economic progress through financial intermediation. By transferring surplus funds from savers to borrowers, FD helps the economy thrive and reduces poverty.

Financial intermediation operates under the assumption that surplus and deficit units are unable to engage in direct trade due to a lack of essential market information between the two parties. Therefore, this served as evidence that the market was imperfect (Bongomin et al., 2021). Hence, the contention is that insurance companies and other financial

intermediaries exist to mitigate information asymmetry and, consequently, transaction costs, so facilitating efficient trade between surplus (savers) and deficit (borrowers) units. Financial intermediaries bear monitoring costs in the financial market to address the issue of adverse selection, which in turn gives rise to moral hazard (Burlando, Canidio, & Selby, 2021). The theory is relevant to the study because it states that efficient financial intermediation leads to enhanced financial deepening, by obtaining funds from several lenders, guaranteeing them a specific pattern of returns, providing loans to businesses, and allocating resources to supervise and enforce loan agreements with entrepreneurs. This result in lower costs compared to unmonitored alternatives, leading to enhanced process of financial deepening (Cihak, Mare, & Melecky, 2016).

2.2.2 Financial Inclusion Theory

The theory of financial inclusion was advanced by Mises (1912). The scholar asserted that efforts to promote financial inclusion should focus on assisting individuals who are economically disadvantaged, such as young people, low-income households, women, and the elderly. This is due to the lack of preferential treatment towards certain populations in current institutional financial initiatives (Ozili, 2020). The theory is predicated on the premise that all groups should have unrestricted access to financial services. The objective of the theory is to enhance understanding of the idea of financial inclusion, and its importance in the context of financial deepening. The primary focus is to ensure and enable low-income households, who may face difficulty in accessing financial services from traditional financial institutions, have access to financial products and services (Ozili, 2018).

Kling, Pesque-Cela, Tian, and Luo (2020) argue that implementing appropriate strategies to promote financial inclusion can decrease the risk of poverty, enhance individuals' saving and investment activities, facilitate the establishment and funding of businesses, and ultimately improve the household resilience (Vasile, Panait, & Apostu, 2021). Financial inclusion is a significant indicator of financial deepening. The theory therefore helps to understand the factors that affect financial deepening, more especially based on financial inclusion. However, the hypothesis is contested due to the presence of non-vulnerable individuals who are not part of the official financial sector, which includes their ability to

obtain insurance products. Similarly, according to Prabhakar (2019), financial inclusion can potentially result in heightened social discrimination by exclusively targeting individuals who are financially challenged. This would result in a redistribution of wealth from the rich to the poor over time, potentially leading to a socio-economic revolution. The theory's significance lies in the assumption that financial inclusion may drive economic development by facilitates economic and social empowerment.

2.3 Empirical Review of Factors Affecting Financial Deepening

2.3.1 Corporate Governance Factors and Financial Deepening

Napisah (2020) conducted a research aimed to ascertain the impact of good corporate governance and macroeconomic conditions on financial distress. This study employed a descriptive verification methodology with a quantitative orientation. The data utilized in this research consists of secondary data obtained from corporate financial reports and published data that is necessary to substantiate the study. The population for this study consists of Retail Trade Companies that are registered in the Indonesia Stock Exchange throughout the period from 2012 to 2016. The data was analyzed using multiple linear regression analysis. The outcome of this study, which employed multiple linear regression analysis was that institutional ownership has a detrimental impact on financial distress, with a statistically significant value of 1%. Similarly, the independent commissioner also had a negative influence on financial distress, with a statistically significant value of 2.1% at a significance level of 5%. The combination of effective company governance and macroeconomic conditions had a simultaneous and large impact on financial distress, accounting for 2.8% of the variation.

In another study, Ozili (2023) conducted a study to investigate the correlation between corporate governance and financial inclusion. The metrics for measuring financial inclusion include the number of automated teller machines (ATMs) per 100,000 adults, the number of bank accounts per 1,000 adults, and the number of bank branches per 100,000 adults. On the other hand, the metrics for assessing corporate governance encompass the corporate transparency index, director liability index, disclosure index, ownership and control index, shareholder rights index, minority investors protection index, and ease of shareholder suits index. The link was examined using Pearson correlation analysis and

Granger causality test. Robust corporate governance is strongly linked to improved financial inclusion results. The geographical analyses indicated a strong and positive correlation between corporate governance and financial inclusion in both Asian and Middle Eastern countries. The strength of corporate governance had both positive and negative effects on financial inclusion, depending on the specific measures of corporate governance and financial inclusion being considered.

2.3.2 Company Non-Financial Characteristics and Financial Deepening

Non-financial characteristics elate to environmental variables, either internal or external that influence financial deepening. Wakaisuka-Isingoma (2018) conducted a study to assess corporate governance and performance of financial institutions. The study utilized a sample of 103 financial institutions and applied a descriptive cross-sectional survey approach, incorporating a Pearson correlation coefficient. The analysis included reliability, validity, exploratory factor analysis using principal components, Cronbach's alpha, and hierarchical regression. Additionally, the Partial Least Square (PLS) modelling was used to assess the appropriateness of the measurement and structural models for evaluating the performance of financial institutions. The findings demonstrated a statistically significant and favorable correlation between corporate governance and the performance of a company. The PLS modelling confirmed the significance of corporate governance in predicting business performance. This was achieved using many components such as information disclosure, financial transparency, ownership structure, and board profile. Similarly, the performance of the company showed that managerial efficiency, earnings quality, asset quality, capital adequacy, and liquidity were important factors.

Sanga and Aziakpono (2022) conducted a study to examine how institutional factors affect the process of financial deepening and its consequences on bank credit in Africa. The study utilised various panel econometric models to analyse the diversity among 50 African countries from 2000 to 2019. The estimators encompass panel corrected standard errors, system generalised technique of moments, quantile regressions, and threshold regressions. The findings indicate that factors such as the rule of law, regulatory quality, government efficacy, voice and accountability, control of corruption, and political stability have a

substantial impact on the extent of financial development in Africa. Government effectiveness has a greater influence on middle- and high-income countries, but other variables have a significant impact on low-income countries. In countries with higher degrees of financial depth, institutional variables have significantly stronger effects, nearly twice as impactful compared to countries with lower levels. The influence of government effectiveness and regulatory quality on financial deepening is greater for countries with robust institutions compared to those with weaker ones.

Misati, Osoro, Odongo, and Abdul (2022) investigated the impact of digital financial innovation on the expansion of financial services and the advancement of the economy in Kenya. The study employed the autoregressive distributed lag (ARDL) model, which is considered superior to other time series methods. This model enables the use of co-integration tests on time series with varying integration orders and is adaptable to varied sample sizes, including small and finite samples. The primary conclusions of this study indicate that there is compelling evidence of a favorable correlation between digital financial innovation and the expansion of financial services, with the most significant influence stemming from Internet usage and mobile financial services, and the least significant influence from traditional bank branches. The findings also indicated a substantial and favorable influence of financial depth on economic growth, in line with the supply-leading finance theory.

In their study, Sanga and Aziakpono (2021) investigated the impact of technological advancements, such as information and communication technology infrastructure, mobile phone subscriptions, secure internet servers, and the number of automated teller machines and bank branches, on the level of financial deepening in 43 African countries from 2010 to 2019. The study utilized panel corrected standard errors, fixed effects, and quantile regressions for empirical analysis. The findings indicate that technology advancements have a favorable and substantial impact on the expansion of financial services in Africa, particularly in terms of banks' ability to attract deposits and provide loans to businesses. Moreover, the technological indicators exert a significant and favorable impact on higher levels of bank credit extended to the private sector compared to lower levels. Regarding

bank deposits, it was discovered that only the quantity of branches had a substantial and favorable impact on high levels of bank deposits, as opposed to low levels.

2.3.3 Company Financial Characteristics and Financial Deepening

Akinmulegun and Akinde (2019) focused on the significance of financial deepening by investigating the impact of financial deepening on the performance of the manufacturing sector in Nigeria from 1981 to 2017. The study made use of secondary data in the form of time series, which were obtained from the statistical bulletin published by the Central Bank of Nigeria and the World Bank Development Index. The findings of the study indicated that the deepening of financial resources had a major impact on the performance of the manufacturing sector in Nigeria. The study considered the context of manufacturing sector in Nigeria, with sector performance being the dependent variable.

Using time-series data spanning from 1990Q1 to 2017Q4, Yusuff and Olaniran-Akinyele (2019) investigated the impact that financial deepening has on the financial performance of Nigerian Deposit Money Banks. Return on assets (ROA) and return on equity (ROE) are the metrics that are used to express the financial performance of a company. For the purpose of measuring financial deepening, total bank liabilities, private sector credit, and market capitalization are also considered. The method of analysis that is being utilized is known as autoregressive distributed lag (ARDL) to co-integration techniques. According to the data, the effect of total bank obligation is both in a favorable direction and statistically significant. On the other hand, market capitalization and credit from the private sector have a large and negative impact. According to the findings of the study, the process of financial deepening impacts the financial efficiency of Deposit Money Banks in Nigeria. The study also concluded that government policies greatly predicted financial deepening, banking credit, deposits, and interest rates come next in the order of importance. The research contextually focused on commercial banking in Nigeria, creating a contextual gap.

The objective of a study conducted in Kenya by Macharia and Mungai (2021) was to ascertain the influence that the deepening of financial markets has had on how commercial banks in Kenya perform. For the purpose of this study, a descriptive research approach was adopted, and the sample population included all 43 commercial banks in Kenya. The results

demonstrated that bank deposits, credit from banks and regulations from the government, which serve as measures of financial deepening, had a favorable and substantial impact of how commercial banks in Kenya perform. The research established that there was a favorable and key impact of financial deepening on how commercial banks in Kenya perform. Government policies, bank loans, bank deposits, and interest rates were key factors that influenced financial deepening, which in turn affected financial performance. The study, however, highlights contextual factors and gaps by specifically examining commercial banks and their financial performance as the dependent variable.

A research project was carried out by Olawumi, Lateef, and Oladeji (2017) with the purpose of investigating the connection between financial deepening and the performance of banks. They made use of metrics of financial deepening such as the ratio of loans to private sector to GDP, the ratio of deposit liabilities to GDP, and the ratio of M2 to GDP. Specifically, profitability was the performance metric that was of interest. The research design utilized in this study was descriptive research, and it was used to evaluate the association between financial deepening and the performance of banks. Methods of descriptive and empirical analysis were utilized in the process of analyzing the data. Using the relevant statistical methods, the models were examined to determine whether or not they had coherence with the expectations, statistical significance, and explanatory power. The results of the study reveal that each component of the financial deepening indicators has a substantial correlation with the degree of profitability of the selected commercial banks in Nigeria, and that this correlation is statistically significant between the two variables. The study also determined that legislative and institutional issues have an impact on the expansion of financial services, which in turn influences the economic growth of Kenya.

2.4 Summary of Literature Review and Research Gaps

Table 2.1: Summary of Literature Review and Research Gaps

Author(s), Year of Publication and Title	Context	Key Findings	Conclusions	Research Gaps
Olawumi, Lateef and Oladeji (2017) Case study of selected Nigerian commercial banks on financial deepening and performance.	Nigeria	- Results show high correlations and statistical significance among financial deepening indices. - Financial deepening increased profitability for selected Nigerian commercial banks.	The study found that each component of financial deepening strongly impacts commercial bank financial performance.	Contextual Gap: Based on commercial banks in Nigeria
Macharia and Mungai (2021) Commercial banks in Kenya are undergoing financial deepening and improving their financial performance.	Kenya	- The study found that bank deposits, credit, and government restrictions positively impact the financial performance of commercial banks in Kenya. - A statistically insignificant effect of interest rate was observed on financial performance.	- All predictor variables except interest rate positively and significantly impact the financial performance of commercial banks in Kenya. - Government policies are the strongest predictor of financial performance, followed by bank loans, deposits, and interest rates.	Contextual Gap – A focus on commercial banks.
Attah-Botchwey, Awadzie and Agbenyezi (2022) Various countries in sub-Saharan Africa are shown to	Selected Countries in Sub-Saharan African	- Broad money supply, a measure of financial depth, has a strong beneficial effect on stock market performance in all four models. - Financial deepening has a good long-term impact on stock market	The broad money supply, which is a proxy for financial deepening, had a positive and statistically significant influence on the performance of the stock	- Contextual gap since it focused on four selected countries in Sub Saharan Africa. - Conceptual gap since stock market

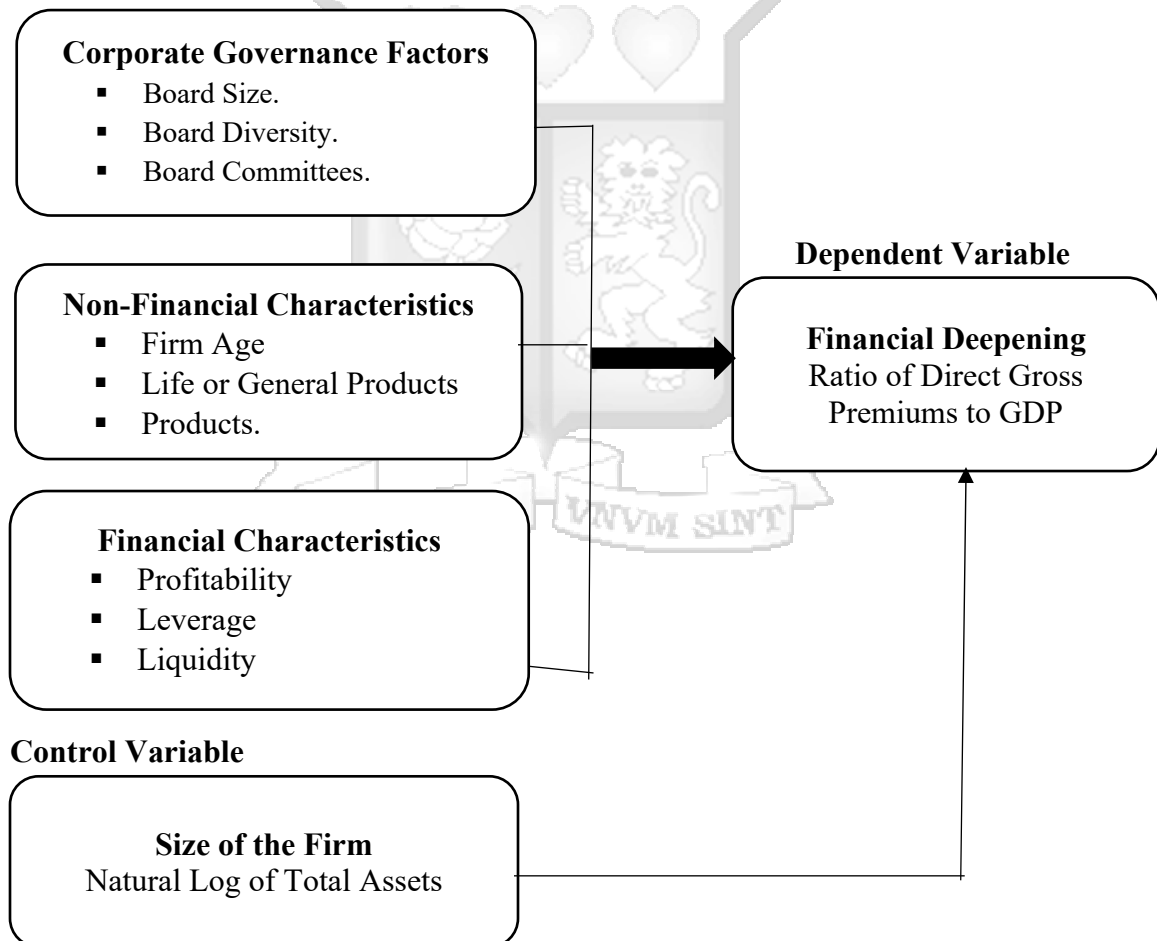
Author(s), Year of Publication and Title	Context	Key Findings	Conclusions	Research Gaps
have improved their stock market performance and financial deepening.		performance but a negative short-term impact, according to their findings. Government spending negatively affects stock market performance statistically and significantly.	market in each of the four countries.	performance is the dependent variable.
Akinmulegun and Akinde (2019) Establishment of financial institutions and the performance of the manufacturing sector in Nigeria (1981-2017)	Nigeria	- The findings of the study indicated that the ratio of credit to the private sector to GDP, with a coefficient of 0.189582, and the ratio of market capitalization to GDP, with a coefficient of 0.006649, both had a favorable impact on the performance of the manufacturing sector. - There was a negative impact on the performance of the manufacturing sector due to the interest rate, which had a coefficient of - 0.043801.	The findings of the study indicated that the deepening of financial resources had a major impact on the performance of the manufacturing sector in Nigeria.	- Because it was carried out in Nigeria, there is a contextual gap. - Additionally, the emphasis placed on the manufacturing sector produces a contextual gap.
Yusuff and Olaniran-Akinyele (2019) Financial Deepening and Performance of Nigerian Deposit Money Banks.	Nigeria	- Total bank liability has a favorable and significant influence. - However, market capitalization and private sector credit have serious detrimental effects.	The financial efficiency of Deposit Money Banks in Nigeria is impacted by the process of financial deepening.	There is a contextual gap since it was done in Nigeria. The institutional focus was deposit money banks.

Author(s), Year of Publication and Title	Context	Key Findings	Conclusions	Research Gaps
Kisaka, Adhiambo, Ndege and Muio (2015) Impact of Financial Deepening on Homa Bay County, Kenya Smallholder Farmers' Performance.	Kenya	▪ A 1% increase in share capital leads to a 1.74% decline in SHF performance, whereas a 1% increase in deposits leads to a 1.71% drop in smallholder farmer performance, assuming all other variables remain equal. ▪ Smallholder farmers' performance is inversely correlated with share capital and deposits. ▪ A 1% increase in loans leads to a 0.96% increase in smallholder farmer performance, whereas a 1% increase in private credit drives a 1.03% increase.	There is a detrimental impact on the performance of smallholder farmers brought about by loans and other forms of private lending.	The contextual gap arises from the fact that it targeted smallholder farmers.
Azu-Nwangolo and Ogechi (2018) An analysis of the Time Variant Model for the Financial Deepening and Deposit Mobilization of Commercial Banks in Nigeria.	Nigeria	▪ The regression analysis indicates that narrow money supply and money market development negatively affects commercial bank customer deposits. ▪ Private sector lending, broad money supply and external funds positively affect commercial bank deposits in Nigeria.	Financial deepening significantly affects total consumer deposits, according to the study.	Contextual gap since it was conducted in Nigeria, focusing on commercial banks.

2.5 Conceptual Framework

The study considered corporate governance variables, company characteristics and financial characteristics as the independent variables. Board size, board diversity and board committees are corporate governance variables, while company characteristics comprised of measures including age of the firm, focus on life or general and products offered. Finally, financial characteristics was measured using profitability, leverage and liquidity of the firm. Financial deepening was the dependent variable and it was measured as a ratio of direct gross premiums to GDP for each of the years of study. Size of the organization was measured using the natural log of total assets. Figure 2.1 shows the framework.

Independent Variables



Source: Researcher (2023)

2.6 Operationalization of the Study Variables

Table 2.2: Operationalization of the Study Variables

Variable	Category	Sub Variable	Measurement	Empirical Evidence	Data Source
Corporate Governance Factors	Independent Variable	Size of the Board	Number of EDs, NEDs and Independent NEDs	Doku, Borowa, Mohammed, and Attah-Botchwey (2023)	Annual audited financial reports
		Board Diversity	Gender, Age bracket of the members, Race/Tribe of the members, & Religion of the members.	Mirza, Malik and Mahmood (2020)	
		Board Committees	The number and type of Committees and their independence	Udoh, Ikpe and Emenyi (2023)	
Company Characteristics	Independent Variable	Age of the Firm	Years of Operational Existence	Rwakihembo, Aryatwijuka, Kalinda and Nimusiima (2023)	Annual audited financial reports
		Life or General	Classification as Life or General Based.		
		Products Offered	Number of insurance products lines on offer.		
Financial Characteristics	Independent Variable	Profitability of the Firm	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Kamau, Olweny and Muturi (2021)	Annual audited financial reports
		Leverage of the Firm	$\text{Debt-to-Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$		
		Liquidity of the Firm	$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$		
Financial Deepening	Dependent Variable	Ratio of Direct Gross Premiums to GDP	$\frac{\text{Direct Gross Premiums}}{\text{Annual GDP}}$	Olawumi, Lateef and Oladeji (2017)	Annual audited financial reports

Size of the Firm	Control Variable	Total Assets	Natural Log of Total Assets	Msomi and Nzama (2023)	Annual audited financial reports
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CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the study's data collection and analysis methodologies. It describes numerous approaches to assess organizational aspects' impact on Kenya's insurance sector's financial deepening. This chapter covers the research design, target population, sampling procedures, sampling design, sampling frame, data collecting, data analysis, and ethical considerations during this investigation.

3.2 Research Philosophy

Phenomenology and Positivism are the two philosophical paradigms that exemplify distinct philosophical stances towards knowledge, as evidenced by their fundamental presumptions regarding the nature of reality and the optimal methodology for conducting research (Park, Konge, & Artino Jr, 2020). The primary objective of the positivist paradigm is to evaluate theories or theoretical models. In light of this, it takes a quantitative approach to the investigation of phenomena (Mugenda & Mugenda, 2003). Researchers that adhere to the positivist school of thought begin their investigation by taking into consideration a wider variety of ideas concerning the variables and the underlying assumptions that underlie them. Subsequently, they employ substantial samples to empirically examine the implications of these theories, enabling the generalization of the findings (Gemma, 2018).

Phenomenological study is conducted with the objective of comprehending and elucidating the fundamental nature of a phenomenon, by suspending the researchers' preconceived assumptions about the phenomenon (Mortari, Valbusa, Ubbiali, & Bombieri, 2023). By adopting this particular standpoint, the investigator is able to gain insight into social phenomena as it pertains to the subject under investigation (Saunders, Lewis & Thornhill, 2007). Personal experiences are also utilized to derive meanings from observed phenomena (Zahavi, 2021). The present study adopted a positivist paradigm, as it is founded upon pre-existing research evidence and established theories. The investigator conducted a comprehensive literature review of prior relevant studies in an effort to corroborate postulated relationships. The information was gathered from published financial statements.

3.3 The Research Design

For the purpose of explaining and examining the effect of organizational determinants on the financial development of the insurance sector in Kenya, this study utilized a quantitative longitudinal research methodology. The conceptual framework served as the theoretical foundation for this investigation. As a result, the research made use of longitudinal data for a period of five years, spanning from 2018 to 2022. The design strategy applied involved the use of secondary data from Insurance Industry Annual Reports for the years under study. In a longitudinal research design, the variables analyzed are the same from one period to another; and the analysis involves some comparison of data between or among periods (Aljohani, 2022).

Researchers investigate the same people over time in a longitudinal study to find changes. It is therefore suitable over long periods, with reduced biasness on the data (Wang, Beal, Chan, Newman, Vancouver, & Vandenberg, 2017). To establish the levels of financial deepening in the insurance sector in Kenya, it involved computing the ratio of direct gross premiums to GDP for the period of study. Through a correlation and regression analysis, it was possible to use longitudinal data in establishing how organizational factors relate to financial deepening of Kenyan insurance companies. Qualitative data was also gathered through questionnaires to identify management strategies to achieve financial deepening among Kenyan insurance companies.

3.4 Population and Sampling of the Study

Mugenda and Mugenda (2003) define population as a complete set of items with common features. There were 55 insurance firms in Kenya as at 31st December 2022 as registered with Association of Kenya Insurers (AKI) (2022), *Appendix III*. The unit of analysis were the insurance firms. Due to the small number of the insurance firms, it was a census study. According to Kothari (2010), a census survey provides the most accurate and complete picture of the population at a given period. Census data is collected from the entire population at a set time. It is assumed that covering all objects eliminates chance and maximizes accuracy (Mugenda & Mugenda, 2013).

3.5 Data Collection Methods

The research made use of both primary and secondary sources of information. Collection of secondary data was accomplished through the use of documentary and archival methods. Information that has been acquired from previously established sources is referred to as secondary data (Kothari, 2004). There are reports at hand that have already been collected, processed, and kept for public use. These are the data that are being referred to here. This study collected secondary data by examining reliable documentary evidence, including published annual reports by each of the insurance firms, as required by Association of Kenya Insurers (AKI) and Insurance Regulatory Authority (IRA).

Primary data was collected using an online questionnaire addressed to the finance managers of the insurance companies. According to Sekaran (2003), primary data is information that the researcher has personally collected on the study's relevant variables. Research instruments that collect data from respondents through the use of questions and other prompts are known as questionnaires (Mellenbergh, 2008). The questionnaire as given in *Appendix II* sought to gather data regarding management strategies to achieve financial deepening among insurance firms in Kenya.

3.2 Data Analysis

To perform the data analysis, SPSS was utilized. This involved generating inferential and descriptive statistics. Descriptive measures, including average and standard deviation was used to assess the level of adoption of financial deepening. Subsequently, multiple regression analysis was employed, whereby organizational factors were the independent variable while financial deepening was the dependent variable. According to Li, Wang', Gu, Cao, and Ye (2022), multiple regression is a statistical method employed to examine the correlation between a solitary dependent variable and several independent variables. Utilizing multiple regression analysis allowed for the examination of the impact of organizational characteristics on the level of financial deepening in the insurance sector in Kenya.

The basic assumptions behind multiple regression models include linearity, homoscedasticity, error independence, normality, and independent variable independence.

Multiple regression, however, was not able to depict non-linear relationships between the independent variables and the dependent ones (Idris, 2022). The study adopted hierarchical multiple regression analysis. This method is adopted when researchers are interested in looking at how several predictor variables cause variations on dependent variable, in a sequential way (Burns & Burns, 2012). The group of factors was then entered in a sequence forming three multiple regression equations as given below:

$$Y = a + \beta_1 \text{SIZE}_1 + \beta_2 \text{BD}_2 + \beta_3 \text{BC}_3 + \varepsilon \dots\dots\dots \text{Equation (i)}$$

$$Y = a + \beta_4 \text{AGE}_4 + \beta_5 \text{LG}_5 + \beta_6 \text{P}_6 + \varepsilon \dots\dots\dots \text{Equation (ii)}$$

$$Y = a + \beta_7 \text{PR}_7 + \beta_8 \text{LE}_8 + \beta_9 \text{LI}_9 + \varepsilon \dots\dots\dots \text{Equation (iii)}$$

Where:

Y = Financial Deepening

a = Constant

β = Coefficient of the Independent Variables

SIZE = Size of the Firm

BD = Board Diversity

BC = Board Committees

AGE = Age of the Firm

LG = Focus on Life or General

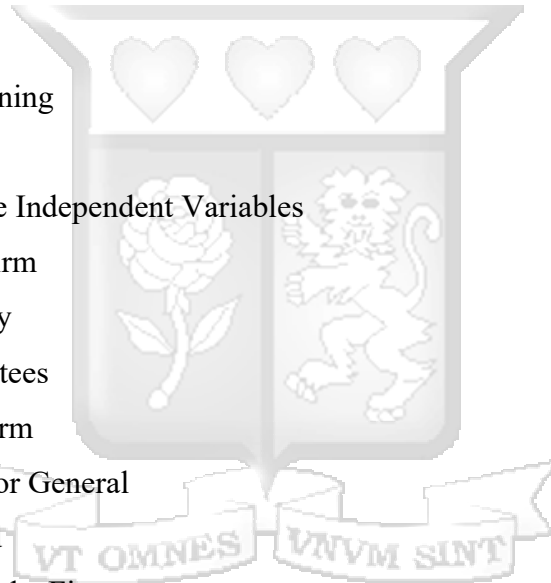
P = Products Offered

PR = Profitability of the Firm

LE = Leverage of the Firm

LI = Liquidity of the Firm

ε = Error term.



The use of three separate multiple regression models is justified when the predictors do not logically combine into a single composite measure. This approach allows for a more nuanced understanding of how each set of predictors such as corporate governance, financial and non-financial characteristics and management practices independently influence the dependent variable. By maintaining specificity, it enables more precise recommendations tailored to each organizational factor. Additionally, separate models

prevent the loss of detailed information that can occur when distinct predictors are inappropriately combined.

3.5 Research Quality

3.5.1 Validity

It refers to the evaluation of whether a particular study collects the necessary data. According to Dragostinov and Mottus (2023), the extent to which instruments are utilized to assess the variables for which they were initially intended is what matters. It is critical in guaranteeing the successful completion of the study objectives. In addition to this, it is the capability of the research instrument to measure the things that it is intended measure (Cooper & Schindler, 2006). To achieve validity of the study, the appropriate data sources for this study were chosen, including the annual reports of the AKI and IRA spanning various times. Standardized and comparable financial performance of insurance companies is detailed in these reports. Insurers, being regulated entities, are obligated to provide performance reports in a format that has been predetermined. The data is thus rendered valid.

Due to the fact that it was prepared through a review of the existing research in conjunction with academic specialists, the questionnaire that was utilized satisfies both the face validity and the content validity requirements. An individual who is a lecturer in Finance from the Department of Development Finance was included among the experts. According to Zeng et al. (2011), construct validity is defined as the capacity of a scale to accurately measure the construct that it is intended to measure within the context of the study. Exploratory factor analysis (EFA) was used to analyze it. During this process, the factor loadings were examined to identify whether or not the items loaded strongly into the factors. For optimal results, the factor loading should be at least 0.4 (Hadi, Shafidan, Razali, Abdulateef, & Abdul, 2023).

3.5.2 Reliability

It refers to the extent to which a particular measuring technique yields consistent outcomes across numerous trials (Mugenda & Mugenda, 2003). It is a measurement of the degree to which the research instrument delivers results that are consistent across multiple

applications of the instrument. The research's reliance on dependable and consistent data sources (IRA and AKI reports) suggests that it is feasible to duplicate the study and obtain comparable outcomes. These sources of data remain accessible indefinitely. In addition, objective and statistical methods were utilized to analyze the data. Conducting multiple electronic and library searches of secondary sources of data enhanced the reliability of the collected data (Canatay et al., 2022).

The variables were checked using Cronbach's alpha coefficient to see if they are within the specified range of 0 to 1 (Mugenda & Mugenda, 2003). High levels of internal consistency are indicated by a Cronbach's alpha of at least 0.7 (Murshid, Chen, Rahman, et al., 2023), whereas values between 0.5 and 0.8 are considered adequate (Sekaran, 2000). The items were considered internally consistent in this study if their values were 0.6 or higher.

3.5.3 Regression Diagnostics

The analysis of multiple regressions was used in the study. This calls for data that is normally distributed. Several tests were conducted. Normality test involves assessing the nature of residuals, as it is a requirement in parametric tests. It is therefore a statistical requirement for the nature of data to be used in regression analysis. It is a confirmation on whether the data is normally distributed (Das, & Imon, 2016). Normal distribution of data is needed to carry out regression tests. The Shapiro-Wilk Test was utilized in order to determine whether or not the data is normal. In this test, the statistics of less than 0.05 would be a suggestion of abnormality of the data. The Variance Inflation Factors was utilized in order to analyze the multicollinearity. VIF should be no more than a value of 10. The lower VIF values of the parameters indicate no collinearity issues.

Heteroscedasticity tests assess the assumptions of independence of errors to each other and the variance of the error term should not change. The absence would mean that there is a problem of heteroscedasticity. In a linear regression, the assumption of homoscedasticity means same variance and is central to linear regression models (Yang, Tu, & Chen, 2019). This study used Koenker test, whereby values greater than 0.05 are acceptable. Finally, testing of linear relationship was adopted between the measured and explanatory parameters, about the linear regression models (Chiesa, Manohar, & Shinkar, 2020). The

objective is to assess whether the parameters under study are linear or non-linear, with values below 0.05 considered to be accepted. Finally, autocorrelation test was carried out. It is the degree of similarity in correlation between parameter measures across observations that are not similar. The Durbin-Watson test was employed in this investigation to determine whether or not adjacent parameters are related. In the absence of autocorrelation, a Durbin-Watson statistic of approximately 2 serves as an indicator.

3.6 Ethical Considerations

When it comes to the information that he or she gathers from their research, the researcher must exercise caution and maintain confidentiality, ensuring that they do not reveal this information to any third party (Arifin, 2018). For avoiding any potential instances of manipulation or intimidation, it is prudent for the researcher to preserve some level of anonymity regarding the conclusions of his investigation. For the researcher to be successful in improving the information's security, it was essential for them to store the information and distribute it in an appropriate manner (Kuada, 2012). Because the study utilized data that is accessible to the public, there was no concerns regarding breaches of confidentiality.

In the collection of primary data, the consent of the respondents was obtained by the researcher. It is a necessity that study participants be informed of all pertinent parts of the research, particularly any potential hazards that may be posed to them, as a prerequisite for obtaining consent to engage in the research. This is a requirement that is imposed by ethical standards (Wynn & Israel, 2018). The researcher also sought permission to carry out the research from the Strathmore University Research and Ethics Committee and The National Commission for Science and Technology (NACOSTI). This undertake ethical approval, which is important in order to ensure no harm occurs to human life, the natural, social and cultural environment, through the conduct of the research (National Commission for Science, Technology and Innovation, 2019).

Once the study is completed, ensuring access to the benefits of research is crucial for fostering equitable progress and societal development. It's essential that the benefits derived from research, whether technological advancements or economic innovations, are distributed equitably across different segments of society. This means that benefits should

not disproportionately favor certain groups while leaving others marginalized or excluded. Therefore, efforts should be made to ensure that everyone, regardless of their background, has the opportunity to benefit from advancements in knowledge and technology. This will be done by ensuring the document is readily available on the Strathmore e-library website. Finally, keeping participants informed about the progress and outcome of research is essential for maintaining transparency, building trust, and respecting their contributions. This will be done through obtaining initial consent as stated above, providing regular updates to the research participants throughout the duration of the study, ensuring accessible communication to all participants regardless of their literacy levels and providing opportunities for feedback.



CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

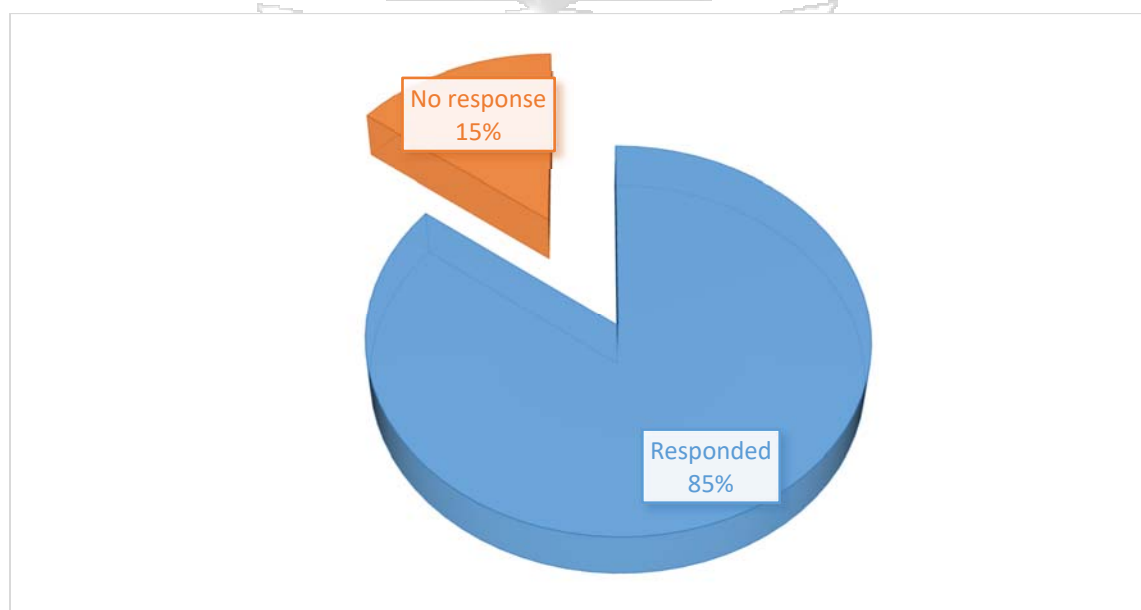
4.1 Introduction

The data analysis, presentation, and result interpretation are outlined in this chapter. The objective of the study was to examine the effect of organizational factors on financial deepening of the insurance sector in Kenya. Questionnaires were used to gather primary data on organization factors affecting financial deepening and management strategies to achieve financial deepening among insurance firms. Secondary data was collected regarding financial deepening and size of the insurance companies. This chapter begins by outlining the demographics and response rate of the participants being studied before moving on to assess each research objectives.

4.2 Response Rate

Out of the total sample size of 55 participants selected for the study, 47 individuals were able to offer their comments, as depicted in Figure 4.1. The outcome was a study response rate of 85.5%. According to the criteria proposed by Kothari and Garg (2016), a response rate exceeding 50% is considered adequate for statistical analysis. Therefore, this response rate was deemed suitable for the study.

Figure 4.1: Response Rate



Source: Research Data (2024)

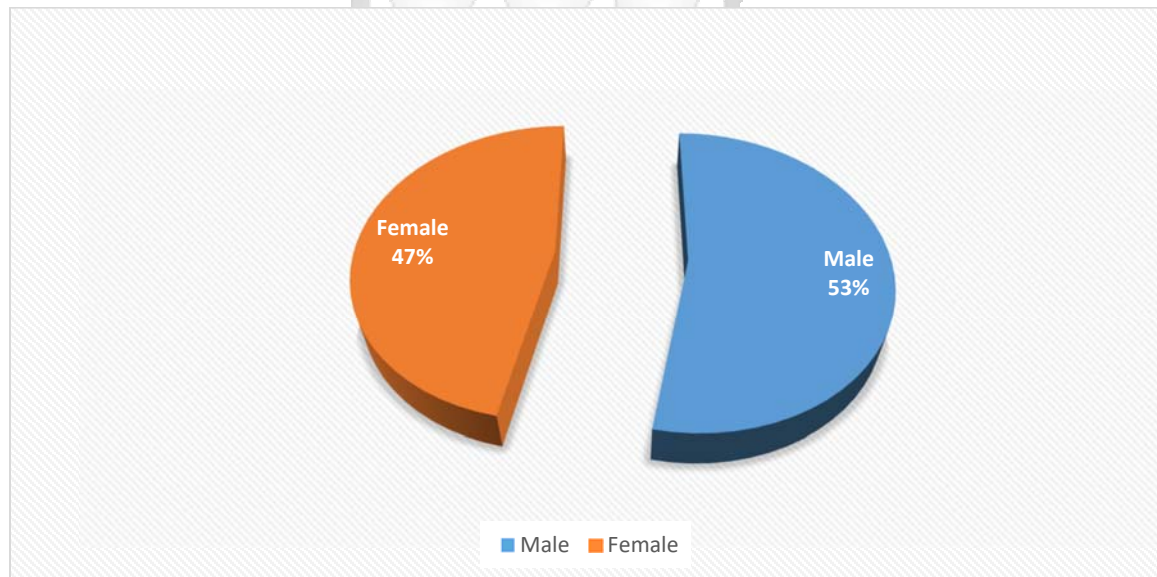
4.3 Demographic Information of the Respondents

The demographic information of the respondents included gender, age bracket and the duration of time the respondents have been in their current positions. The analysis is as given below:

4.3.1 Age of the Respondents

According to Figure 4.2, 53% of the total respondents to the study were male, and the remaining 47% were female. This indicates that there was a near balanced representation by the respondents for both gender, which means enhanced reliability of responses through reduction of gender bias, diverse responses and increased representation.

Figure 4.2: Age of the Respondents



Source: Research Data (2024)

4.3.2 Age Bracket of the Respondents

In terms of age, Table 4.1, indicate that the largest age bracket of the respondents was between 40-47 years (27.7%), followed by 31-35 years (23.4%), then 36–39 & 48 years and above (17%), then 24-30 years (10.6%) and finally 18-23 years (4.3%) of the respondents. The majority of the respondents are aged between 40-47 years, indicating a highly experienced group to provide reliable information. The age groups were however adequately represented for a reliable outcome.

Table 4.1: Age Bracket of Respondents

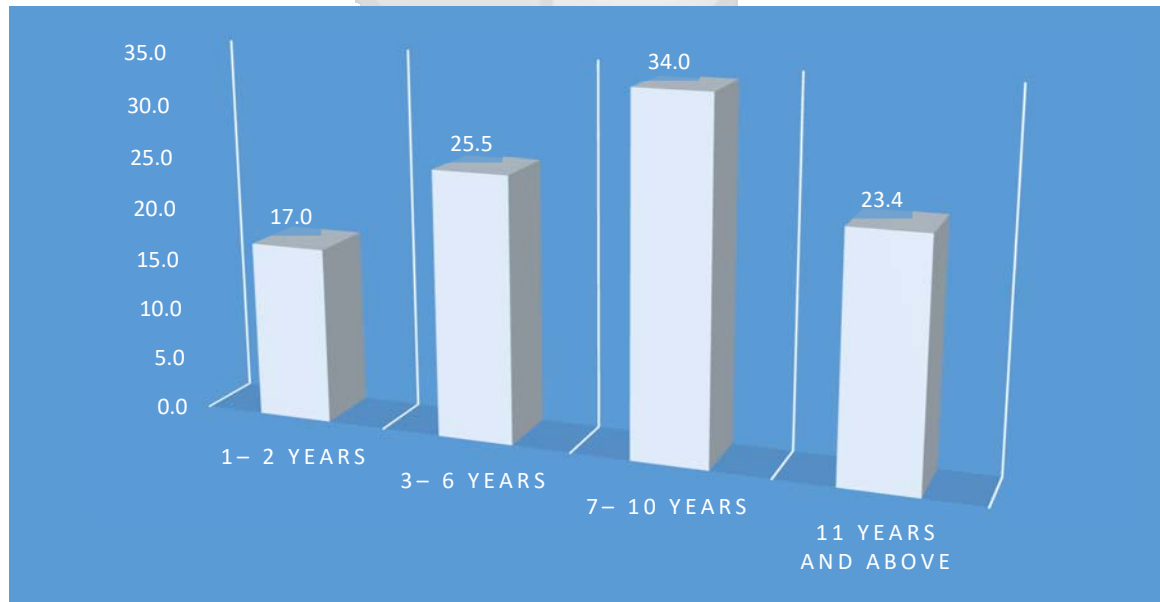
Age Bracket	Frequency	Percent	Valid Percent
18 – 23 years	2	4.3	4.3
24– 30 years	5	10.6	10.6
31 – 35 years	11	23.4	23.4
36 - 39 years	8	17.0	17.0
40 – 47 years	13	27.7	27.7
48 years and above	8	17.0	17.0
Total	47	100.0	100.0

Source: Research Data (2024)

4.3.3 Duration of Time in the Position

Figure 4.3 indicate that majority of the respondents (34%) had worked for between 7-10 years, followed by those who had worked for between 3-6 years (25.5%), then those who had worked for 11 years and above (23.4%). The least duration of service were those who had worked for 1-2 years making up 17%. Majority of the respondents had spent more than 7 years, implying that they are likely knowledgeable on the factors under study as applied in their organizations.

Figure 4.3: Duration of Time in the Position



Source: Research Data (2024)

4.4 Descriptive Statistics

4.4.1 Organizational Factors affecting Financial Deepening

The respondents were asked to indicate the level of their agreement with the extent to which the organizational factors listed affect financial deepening of their organization, using the scale: 5 = To a very large extent; 4 = Large extent; 3 = Moderate extent; 2 = Small extent and 1 = Very small extent. The analysis is as given below:

4.4.1.1 Corporate Governance Factors

Table 4.2 indicate that corporate governance factors had a mean of 3.8298 and Standard Deviation of 0.96807. The composition of the board committees had a mean of 4.1702 and Standard Deviation of 0.76098, the size of the board had a mean of 3.7447 and Standard Deviation of 0.98837 and then the extent of board diversity had a mean of 3.5745 and Standard Deviation of 1.15617 respectively. The standard deviation reflects the extent to which the individual responses vary from one another, with the highest standard deviation showing a high level of variation of responses. The data was skewed to the left since the average skewness statistic of -.352 is less than +1. The data also exhibited a flatter curve with a negative kurtosis of -.771.

Table 4.2: Corporate Governance Factors

Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
The size of the board.	47	3.7447	.98837	-.301	.347	-.892	.681
The extent of board diversity	47	3.5745	1.15617	-.145	.347	-1.420	.681
The composition of the board committees	47	4.1702	.76098	-.610	.347	-.001	.681
Overall Mean	47	3.8298	.96807	-.352	.347	-.771	.681

Source: Research Data (2024)

4.4.1.2 Company Specific Non-Financial Characteristics

According to Table 4.3, company specific non-financial characteristics affected had a mean of 3.8865 (SD=0.8952). Age of the firm had a mean of 4.1064 (SD=.78668). The nature of products and variety of products and services had a mean M=3.5745 (SD=1.07834) and variety of products offered had a mean M=3.9787 (SD=.82064) respectively. The skewness of company specific characteristics are less than -1.0, implying the distribution is leftward skewed. The average data has negative kurtosis, indicating that the distribution is platykurtic relative to the normal distribution.

Table 4.3: Company Specific Non-Financial Characteristics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Age of the firm.	47	4.1064	.78668	-.753	.347	.540	.681
Life or general business.	47	3.5745	1.07834	-.147	.347	-1.217	.681
Variety of products offered	47	3.9787	.82064	-.453	.347	-.258	.681
Overall Mean	47	3.8865	.8952	-.451	.347	-.312	.681

Source: Research Data (2024)

4.4.1.3 Financial Characteristics

Table 4.4 indicate that financial characteristics was given by an average mean of 3.7305 (SD=.90105). According to respondents, profitability of the firm was given by a mean of 3.9574 and SD of 0.69023, leverage was given by a mean of 3.8085 and SD of 0.87572 and finally the liquidity of the firm was given by a mean of 3.4255 and a SD of 1.13721 respectively. The skewness of financial characteristics are less than -1.0, implying the distribution is left skewed. The average data has negative kurtosis, indicating that the distribution is platykurtic relative to the normal distribution.

Table 4.4: Company Specific Financial Characteristics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Variable							

Profitability of the firm.	47	3.9574	.69023	-.359	.347	.382	.681
Leverage of the firm.	47	3.8085	.87572	-.217	.347	-.668	.681
Liquidity of the firm.	47	3.4255	1.13721	-.086	.347	-1.439	.681
Overall Mean	47	3.7305	.90105	-.221	.347	-0.575	.681

Source: Research Data (2024)

4.4.2 Management Strategies to Achieve Financial Deepening among Insurance Firms

The respondents were asked to indicate the level of their agreement with the extent to which the strategies enlisted help their firms to achieve financial deepening. The responses were based on the Likert scale; Where 1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree. Table 4.5 indicate that on average, the respondents strongly agree that the listed management strategies was given by an average mean of 1.7128 (SD=.68643). Specifically, the respondents strongly agreed that nine (9) out of the ten (10) management strategies help the insurance sector to achieve financial deepening in Kenya. They agreed that financial education has greatly helped consumers to find the information that they need, which helps in achieving financial deepening, having a mean of 2.2340 (SD=.83958).

The most favored management strategy was the employment of technology by the insurance firms to evaluate and assess the risk of new financial services and networks, given by a mean of 1.4468 (SD=.54408). This was followed by disclosure of information to consumers about all material facts so that they are aware of the implications of their choices affect financial deepening and then the promotion of financial digitalization in order to facilitate customers' access to insurance products, as given by the mean 1.5532 (SD=.65304) respectively. The other strategies that they strongly agreed help in achieving financial deepening include assessment of the consequences of changes in economic conditions and policies; development of new products and services based on the trend and expectations of local and global economic performance; harnessing technology for the development of insurance services; the use of “correspondents” or ‘service points” that offer a limit set of financial services acting as representatives of the organization and then creation of awareness regarding accessibility to financial products/ service. There is also

emphasis on financial literacy and sensitization that they strongly agreed led to increased financial deepening. The analysis is as given in Table 4.5:

Table 4.5: Management Strategies for Financial Deepening among Insurance Firms

Strategies	N	Mean	Std. Deviation
Financial Literacy and sensitization has led to increased financial deepening.	47	1.9574	.72103
Financial education has greatly helped consumers to find the information that they need	47	2.2340	.83958
Accessibility to financial products/ service awareness has improved financial deepening	47	1.8085	.74128
Understanding the consequences of changes in economic conditions and public policies affect financial deepening.	47	1.5957	.64806
Disclosing information to consumers about all material facts so that they are aware of the implications of their choices affect financial deepening.	47	1.5532	.65304
The organization has promoted financial digitalization in order to facilitate customers' access to insurance products.	47	1.5532	.65304
There is the use of "correspondents" or 'service points" that offer a limit set of financial services acting as representatives of the organization.	47	1.7234	.68214
The organization has employed technology to evaluate and assess the risk of new financial services and networks	47	1.4468	.54408
The organization is actively involved in harnessing technology for the development of its insurance services	47	1.6383	.67326
The organization develops new products and services based on the trend and expectations of local and global economic performance.	47	1.6170	.70874
Average Score	47	1.7128	.68643

Source: Research Data (2024)

4.5 Validity and Reliability of the Data

4.5.1 Validity of the Data

To achieve validity of the study, the appropriate data sources for this study were chosen, including the annual reports of the AKI and IRA spanning various times. This is because standardized and comparable financial performance of insurance companies is detailed in these reports. Insurance companies being regulated entities are obligated to provide

performance reports in a format that has been predetermined. The data is thus rendered valid.

Regarding primary data, the questionnaire used was prepared through a review of the existing research in conjunction with academic specialists to achieve both the face validity and the content validity requirements. The supervisor, a lecturer in Finance from the Department of Development Finance was included among the experts. Exploratory factor analysis (EFA) was then used to analyze the validity of the questionnaire. In this test, the Kaiser-Meyer-Olkin (KMO) value was used to measure how suited the data is for Factor Analysis. Table 4.6 indicate that the data was not suitable for factor analysis because the KMO probability value is more than 0.05. This therefore means that the factor loadings were not examined to identify whether or not the items loaded strongly into the factors.

Table 4.6: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.510
Bartlett's Test of Sphericity	Approx. Chi-Square	48.798
	df	36
	Sig.	.076

Source: Research Data (2024)

4.5.2 Reliability of the Data

For secondary data, the research relied on dependable and consistent data sources (IRA and AKI reports) suggesting that it is viable to duplicate the study and obtain comparable outcomes. Collection of the data involved conducting multiple electronic and library searches of secondary sources of data that enhanced the reliability of the collected data.

The primary data was checked for reliability using Cronbach's alpha coefficient to see if they are within the specified range of 0 to 1. High levels of internal consistency are indicated by a Cronbach's alpha of at least 0.7, whereas values between 0.5 and 0.8 are considered adequate. Table 4.7 indicates the Cronbach's Alpha values were between 0.5 and 0.8 hence considered adequate. Reliability of the variables was therefore established.

Table 4.7: Reliability Statistics

	Cronbach's Alpha if Item Deleted
--	---

Financial Deepening	.497
Size of the firm	.559
Non-financial Factors	.536
Financial Factors	.651

Source: Research Data (2024)

4.6 Regression Diagnostics

Since multiple regression analysis was performed in the study, it was crucial to determine how accurately the results might be extrapolated, using the following tests:

4.6.1 Multicollinearity Test

The Variance Inflation Factors was utilized in order to assess multicollinearity. VIF should be no more than 10, with the lower VIF values indicating no collinearity issues. Table 4.8 indicate that there is no problem of collinearity, since the VIF are below 10.

Table 4.8: Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
Size of the Firm	.851	1.175
Corporate Governance Factors	.767	1.303
Company Specific Factors	.714	1.400
Financial Characteristics	.969	1.032

a. Dependent Variable: FD

4.6.2 Test of Normality

A normality test determines whether a sample data has been drawn from a normally distributed population. Normal distribution of data is needed to carry out regression analysis. In this study, the test for normality was done using Shapiro-wilk Test. Table 4.8 shows that the Sig. values of the Shapiro-Wilk Test are below 0.05, implying that the data significantly deviate from a normal distribution. This is also confirmed by the descriptive statistics that established cases of skewed distribution of data.

Table 4.8: Test of Normality

	Statistic	df	Sig.
The size of the board.	.857	47	.000

The extent of board diversity	.810	47	.000
The composition of the board committees	.817	47	.000
Age of the firm.	.815	47	.000
Whether the company offers life or general business.	.818	47	.000
The variety of the products offered.	.849	47	.000
Profitability of the firm.	.813	47	.000
Leverage of the firm.	.868	47	.000
Liquidity of the firm.	.783	47	.000
Financial Literacy and sensitization.	.809	47	.000
Financial education.	.867	47	.000
Accessibility to financial products/ service awareness.	.809	47	.000
Effect of changing economic conditions and public policies.	.750	47	.000
Disclosing all material facts to consumers.	.736	47	.000
Promotion of financial digitalization.	.736	47	.000
The use of “correspondents” or ‘service points”.	.782	47	.000
Employment of technology to evaluate and assess the risk of new financial services and networks.	.681	47	.000
Harnessing technology to develop insurance services.	.763	47	.000
Development of new products and services.	.751	47	.000

a. Lilliefors Significance Correction

4.6.3 Heteroscedasticity Test

Heteroscedasticity tests assess the assumptions of independence of errors to each other and the variance of the error term should not change. The absence would mean that there is a problem of heteroscedasticity. This study used Breusch-Pagan Test, based on squared residuals of the model. Table 4.9 show that the p-value of the test is less than 0.05 and therefore heteroscedasticity is present in the regression model.

Table 4.9: Breusch-Pagan Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.079	4	.020	3.090	.026 ^b
	Residual	.267	42	.006		
	Total	.346	46			

a. Dependent Variable: squared residuals

b. Predictors: (Constant), FC, CGF, Size of the firm, CSC

4.6.4 Linearity Test

Testing of linear relationship was adopted between the measured and explanatory parameters, about the linear regression models. The objective is to assess whether the

parameters under study are linear or non-linear. In this test, when the significant value of deviation from linearity is greater than 0.05, then there is linear relationship between the variables. Table 4.10 indicate that the relationship between the variables are linear except for financial characteristics and financial deepening, where that value $.028 < .05$.

Table 4.10: Linearity Test

Variables	Deviation from Linearity
Size of the Firm and Financial Deepening	.835
Corporate Governance Factors and Financial Deepening	.112
Company Specific Factors and Financial Deepening	.860
Financial Characteristics and Financial Deepening	.028

Source: Research Data (2024)

4.7 Inferential Statistics

This include the performance of correlational, regression and factor analysis. Multiple regression analysis involved organizational factors being regressors of financial deepening, while factor analysis helped to assess factors affecting financial deepening in Kenya. Correlational analysis was also adopted to establish the relationship between organizational factors and financial deepening of the insurance sector in Kenya, as moderated by size of the firm.

4.7.1 Correlation Analysis

The researcher conducted correlation analysis to examine the strength of relationships, if any, existed among the variables. The Pearson's correlation coefficient is a statistical measure of the strength of a linear relationship between two sets of data. This assess the association between two variables to ascertain whether they are positively, negatively, or not at all related to one another. The two variables are said to be related if changes in one influence the other. The correlation can either be considered strong, moderate or low depending on the coefficient of correlation.

The findings in Table 4.11 indicate that the size of the firm has a significantly high positive correlation with financial deepening given by $r = .724$, $p < 0.05$. Corporate governance

factors had a moderately positive and significant correlation with financial deepening as given by $r = .419$, $p < 0.05$. Company specific factors on the other hand had a low, but positive and significant correlation with financial deepening given by $r = .323$, $p < 0.05$. Finally, financial characteristics were found to have a weak and insignificant positive correlation with financial deepening, as indicated by $r = .160$, $p > 0.05$.

The implication of the findings is that improved firm size through total assets by the firms would significantly increase financial deepening in the insurance sector. Equally, improved corporate governance and company specific factors, studied in the model would have a significant, though moderate increase in financial deepening in the insurance sector. Financial characteristics of insurance firms, would however positively, but not significantly correlate with the improved financial deepening in the insurance sector. The analysis is based on the presentation in Table 4.11:

Table 4.11: Correlation Matrix

		Financial Deepening	Size of the Firm	Corporate Governance Factors	Company Specific Factors	Financial Characteristics
Financial Deepening	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	47				
Size of the Firm	Pearson Correlation	.724**	1			
	Sig. (2-tailed)	.000				
	N	47	47			
Corporate Governance Factors	Pearson Correlation	.419**	.266	1		
	Sig. (2-tailed)	.003	.071			
	N	47	47	47		
Company Specific Factors	Pearson Correlation	.323*	.358*	.467**	1	
	Sig. (2-tailed)	.027	.014	.001		
	N	47	47	47	47	

Financial Characteristics	Pearson Correlation	.160	.133	.013	.134	1
	Sig. (2-tailed)	.281	.372	.931	.368	
	N	47	47	47	47	47

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

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

4.7.2 Regression Analysis

4.7.2.1 Effect of Corporate Governance Factors on Financial Deepening

Table 4.12 show that $R = 0.497$ implying that corporate governance factors and financial deepening are positively correlated. The adjusted R^2 of 0.195 means that only 19.5% of changes in financial deepening within the insurance sector were due to variations in corporate governance factors. The implication is that 80.5% of variations in financial deepening were not due to corporate governance factors, but other determinants.

Table 4.12: Model Summary on Corporate Governance Factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497 ^a	.247	.195	.31924

a. Predictors: (Constant), Composition of the board committees, Size of the board., Extent of board diversity

b. Dependent Variable: FD

Table 4.13 shows that corporate governance factors significantly affect financial deepening in the insurance sector, given $p < 0.05$. This implies that improved corporate governance on the bases board size, board diversity and board committees, lead to improved financial deepening in the insurance sector. The F statistic of 4.714 significantly exist at $p = 0.006$. This suggests that corporate governance factors reliably and significantly predict financial deepening in the insurance sector.

Table 4.13: Analysis of Variance on Corporate Governance Factors

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.441	3	.480	4.714	.006 ^b
	Residual	4.382	43	.102		
	Total	5.824	46			

a. Dependent Variable: FD

b. Predictors: (Constant), Composition of the board committees, Size of the board., Extent of board diversity

Table 4.14 indicate the regression coefficients. The non-standardized coefficient of the constant of the model show that 21.5% variation in financial deepening was related with a unit variation in corporate governance factors. The implication is that for every 1-unit improvement in corporate governance factors, financial deepening reduced by 21.5%. The outcome reveals that 1-unit increase in the size of the board, improves financial deepening by 32.5%. Further, a 1-unit increase in board diversity led to 27.7% improvement in financial deepening. Finally, a 1-unit change in composition of the board committees led to 7.2% decline in financial deepening in the sector. The general implication was that better corporate governance practices would be suitable in enabling improved financial deepening in the insurance sector in Kenya.

Further, the findings indicate that the size of the board have a significant effect on financial deepening because the $p < 0.05$. The extent of Board diversity and composition of the board committees, however do not have a significant effect on financial deepening, since $p > 0.05$. The model can therefore be substituted as follows:

$$Y = -.215 + .325X_1 + .277X_2 - .072X_3 + \varepsilon$$

Table 4.14: Regression Coefficients on Corporate Governance Factors

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.215	.329		-.655	.516
The size of the board.	.117	.051	.325	2.306	.026
The extent of board diversity.	.085	.043	.277	1.962	.056
The composition of the board committees.	-.034	.062	-.072	-.545	.589

a. Dependent Variable: FD

4.7.2.2 Effect of Company Specific Non-Financial Factors on Financial Deepening

Table 4.15 show that $R = 0.494$ implying that company specific factors and financial deepening are positively correlated. The adjusted R^2 of 0.244 means that only 24.4% of changes in financial deepening within the insurance sector were due to variations in

company specific factors. This implies that 75.6% of variations in financial deepening were due to other factors.

Table 4.15: Model Summary on Company Specific Non-Financial Factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494 ^a	.244	.192	.31989

a. Predictors: (Constant), Variety of the products offered, Age of the firm, The company offers life or general business.

b. Dependent Variable: FD

Table 4.16 shows that company specific non-financial factors significantly affect financial deepening in the insurance sector, given $p < 0.05$. This implies that age of the firm, the nature of products and services offered by the insurance firm and variety of products led to improved financial deepening in the insurance sector. The p-value of .007 suggests that the company specific factors reliably and significantly predict financial deepening in the insurance sector.

Table 4.16: Analysis of Variance on Company Specific Non-Financial Factors

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.423	3	.474	4.637	.007 ^b
	Residual	4.400	43	.102		
	Total	5.824	46			

a. Dependent Variable: FD

b. Predictors: (Constant), The variety of the products offered, Age of the firm., Whether the company offers life or general business.

Table 4.17 indicate that 34.4% variation in financial deepening was related with a unit variation in company specific non-financial factors. The outcome further reveal that 1-unit change in age of the firm, led to a variation in financial deepening by 9.9%. The findings also indicate that changes in either general of life product by 1-unit, led to 49.3% variation in financial deepening. Finally, a 1-unit variation in variety of products offered reduced financial deepening by 2.0%. The general implication however was that company specific factors of insurance firms affect financial deepening in the sector. Regarding, the significance of each of the company specific factors, the study established that the different

products of general and life, as offered by the insurance firms had a $p < 0.05$. Age of the firm and variety of products offered however did not have a significant effect on financial deepening of the sector, since $p > 0.05$. The model can therefore be constructed as follows:

$$Y = -.344 + .099X_1 + .493X_2 - .020X_3 + \varepsilon$$

Table 4.17: Regression Coefficients on Company Specific Non-Financial Factors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.344	.399		-.864	.392
	Age of the firm.	.045	.061	.099	.741	.462
	The company offers life or general business.	.163	.045	.493	3.615	.001
	Variety of the products offered.	-.009	.059	-.020	-.150	.881

a. Dependent Variable: Financial Deepening

4.7.2.3 Effect of Financial Characteristics on Financial Deepening

Table 4.18 show that $R = 0.434$ implying that financial characteristics of insurance firms and financial deepening are positively correlated. The adjusted R^2 of 0.132 means that only 13.2% of changes in financial deepening within the insurance sector were due to variations in financial characteristics of the firms. This implies that 86.8% of variations in financial deepening were not due to financial characteristics of the insurance firms.

Table 4.18: Model Summary on Financial Characteristics of Firms

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.434 ^a	.188	.132	.33155	1.783

a. Predictors: (Constant), Liquidity of the firm, Leverage of the firm, Profitability of the firm.

b. Dependent Variable: FD

Table 4.19 shows that financial characteristics of insurance firms significantly affect financial deepening in the insurance sector, given $p < 0.05$. This implies that profitability, leverage and equity of the firms led to improved financial deepening in the insurance sector. The p-value of .028 suggests that financial characteristics of firms reliably and significantly predict financial deepening in the insurance sector.

Table 4.19: Analysis of Variance of Financial Characteristics

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.097	3	.366	3.326	.028 ^b
	Residual	4.727	43	.110		
	Total	5.824	46			

a. Dependent Variable: FD

b. Predictors: (Constant), Liquidity of the firm, Leverage of the firm, Profitability of the firm.

Table 4.20 indicate a constant of 0.337, implying that 33.7% variation in financial deepening was related with a unit variation in financial characteristics of the insurance firms. Further, it indicates that a 1-unit change in profitability of the firm, led to a negative variation in financial deepening by 14.6%. Further a 1-unit variation in leverage levels of a firm, led to 3.4% negative variation in financial deepening. Finally, a 1-unit variation in liquidity of the firm led to 3.7% variation in financial deepening of the insurance sector. The study also found out that liquidity of insurance firms has a significant effect on financial deepening given by $p < 0.05$. Profitability and leverage of the firm however did not have a significant effect on financial deepening as indicated by $p > 0.05$. The model can then be constructed as follows:

$$Y = .337 - .146X_1 - .034X_2 + .373X_3 + \varepsilon$$

Table 4.20: Regression Coefficient on Financial Characteristics

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.337	.430		.784	.437
	Profitability of the firm.	-.075	.072	-.146	-1.045	.302
	Leverage of the firm.	-.014	.057	-.034	-.243	.810
	Liquidity of the firm.	.117	.045	.373	2.621	.012

a. Dependent Variable: FD

4.7.2.4 Controlling Effect of Size of the Firm on Effect of Organizational Factors on Financial Deepening

The analysis focuses on the controlling effect of the size of the firm. Table 4.21 show that $R = 0.765$ implying that organizational factors, including size of the firm and financial deepening have a positively significant correlation. The adjusted R^2 of 0.546 means that 54.6% of changes in financial deepening within the insurance sector were due to organizational factors, including size of the firm. This implies that 45.4% of variations in financial deepening were due to other factors that are not part of this study.

Table 4.21: Model Summary on Controlling Effect of Size of the Firm

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.765 ^a	.586	.546	.23966	1.694

a. Predictors: (Constant), FC, CGF, Size of the firm, CSC

b. Dependent Variable: FD

Table 4.22 shows that organizational factors, including size significantly affect financial deepening in the insurance sector, given $p < 0.05$. This implies that organizational factors led to improved financial deepening in the insurance sector. The p-value of .000 suggests that organizational factors, including size of the firm reliably and significantly predict financial deepening in the insurance sector.

Table 4.22: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.411	4	.853	14.847	.000 ^b
	Residual	2.412	42	.057		
	Total	5.824	46			

a. Dependent Variable: FD

b. Predictors: (Constant), FC, CGF, Size of the firm, CSC

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The summary of the study, discussion of findings, conclusion and recommendations of the study are presented in this section. The section also highlights the limitations of the research process and suggestions for further study.

5.2 Summary of Study

The objective of the study was to examine the effect of organizational factors on financial deepening of the insurance sector in Kenya. Specifically, the aim of the study included to determine the levels of financial deepening in the insurance sector in Kenya; to establish the relationship between corporate governance factors and financial deepening of insurance firms in Kenya; to find out the relationship between company characteristics and financial deepening of insurance firms in Kenya; to find out the relationship between financial characteristics and financial deepening of insurance firms in Kenya and to identify management strategies to achieve financial deepening among insurance firms in Kenya.

The study targeted insurance firms that are registered with Association of Kenya Insurers (AKI) as of December 2022. They are fifty-five (55) in number. The justification is that AKI is the recognized body that offers advisory and capacity building for the industry players. AKI therefore publishes reports on the performance of the industry and the specific firms, making it easy to access data on financial performance. Due to the small number, all the firms were targeted and therefore this is a census study. The study covered five years, 2018–2022. This is a period of time when the insurance sector required innovative leadership and adaptable institutions to cope with the dynamic environment locally and worldwide. The study relied on primary using a structured questionnaire and secondary data from the published annual reports for each firm for the period under study. Further, the study relied on GDP for the five years under study as published by the Kenya Bureau of Statistics, IMF and World Bank.

The study was based majorly on the Theory of Financial Intermediation and Financial Inclusion Theory. The rationale of these theories is based on the argument that financial

deepening requires the activities of the financial intermediaries, and it thrives well in the environment of financial inclusion. Financial Intermediation theory was proposed by Gurley and Shaw in 1960. It states that financial intermediation occurs when financial institutions use their own funds to buy other assets in the market. The idea is that by acting as go-betweens, intermediaries can lower transaction costs and level the playing field when it comes to information, and this enhances financial deepening. Financial Inclusion theory was proposed by Mises (1912). According to the notion, efforts to promote financial inclusion should focus on assisting individuals who are economically disadvantaged, such as young people, low-income households, women, and the elderly. The theory is predicated on the premise that all groups should have unrestricted access to financial services. The objective of the theory is to enhance understanding of the idea of financial inclusion, and its importance in the context of financial deepening.

The study adopted a positivist paradigm, as it is founded upon pre-existing research evidence and established theories. The investigator conducted a comprehensive literature review of prior relevant studies in an effort to corroborate postulated relationships. The information was gathered from published financial statements. For the purpose of explaining and examining the effect of organizational determinants on the financial development of the insurance sector in Kenya, this study utilized a quantitative and qualitative longitudinal research methodology

To perform the data analysis, SPSS was utilized. This involved generating inferential and descriptive statistics. Descriptive measures, including average and standard deviation was used to assess the level of adoption of financial deepening. The study adopted hierarchical multiple regression analysis. The reviewed research shows conceptual and contextual gaps. When the factors of attention differ from the current investigation, conceptual gaps exist. Study dependent factors were stock performance, customer deposit, financial performance, and economic performance. This study examined organizational factors affecting financial deepening in the Kenya's insurance sector. The contextual gap is due to financial deepening in commercial banks, other industries, and countries.

The reality is that insurance firms' financial deepening effect differs from that of commercial banks, micro finance organizations, and SACCOs. With the insurance sector growing as an alternative investment vehicle, financial deepening would assist insurance companies survive rising competition from non-bank financial institutions and commercial banks. Despite the need for financial deepening, empirical literature does not focus more on the insurance industry. Following the discussion put forth, the current research filled the gap by determining the effect of organizational factors on financial deepening of insurance firms in Kenya. Out of the total sample size of 55 participants selected for the study, 47 individuals were able to offer their comments, representing a response rate of 85.5%. Regression analysis and descriptive statistics were used to analyze the data. The Strathmore University Ethics Review Board evaluated and accepted the researcher's proposal, and NACOSTI was granted to the researcher to authorize.

5.3 Discussion of the Findings

The findings were based on the specific objectives of the study:

5.3.1 To determine the level of Financial Deepening in the Insurance Sector in Kenya

To determine the levels of financial deepening in the insurance sector in Kenya, the respondents were asked to indicate their level of agreement with the extent to which the organizational factors listed affect financial deepening in the insurance sector using the scale: 5 = To a very large extent; 4 = Large extent; 3 = Moderate extent; 2 = Small extent and 1 = Very small extent. Regarding corporate governance factors, the findings indicate that corporate governance factors affect financial deepening of insurance sector in Kenya to a moderate extent, given the mean of 3.8298 (SD=.96807). The composition of the board committees had the highest effect, followed by the size of the board and then the extent of board diversity, given by M=4.1702 (SD=.76098); M=3.7447 (SD=.98837) and M=3.5745 (SD=1.15617) respectively. The implication was that improved corporate governance would lead to improved financial deepening in the insurance sector in Kenya.

Company specific characteristics were found to affect financial deepening to a moderate extent given an average mean of 3.8865 (SD=.8952). The study specifically established that age of the firm largely affect financial deepening given by a mean of 4.1064

(SD=.78668). Further, the study established that the nature of products and variety of products and services moderately affected financial deepening given by the mean $M=3.5745$ (SD=1.07834) and $M=3.9787$ (SD=.82064) respectively. Finally, the study found out that financial characteristics affect financial deepening of insurance sector in Kenya to a moderate extent, given by an average mean of 3.7305 (SD=.90105). The study further established profitability of the firm had the highest effect, followed by leverage and liquidity of the firm, given by $M=3.9574$ (SD=.69023), $M=3.8085$ (SD=.87572) and $M=3.4255$ (SD=1.13721) respectively. The findings imply that when insurance firms increase their profitability, they would effectively influence financial deepening.

5.3.2 Corporate Governance Factors and Financial Deepening of insurance firms

The study found out that corporate governance factors affect financial deepening of insurance sector in Kenya to a moderate extent. The composition of the board committees had the highest effect, followed by the size of the board and then the extent of board diversity. The study found out that corporate governance factors and financial deepening is positively correlated, given by $R = 0.497$. The adjusted R^2 of 0.195 imply that only 19.5% of changes in financial deepening within the insurance sector were due to variations in corporate governance factors. This implied that 80.5% of variations in financial deepening were not due to corporate governance factors, but other determinants. The study also established that corporate governance factors significantly affect financial deepening in the insurance sector, given $p < 0.05$. This imply that improved corporate governance on the basis board size, board diversity and board committees, lead to improved financial deepening in the insurance sector. Further, corporate governance factors reliably and significantly predict financial deepening in the insurance sector, as indicated by the p-value of .006.

5.3.3 Company Characteristics and Financial Deepening of insurance firms in Kenya

The study found out that company specific characteristics affect financial deepening to a moderate extent. The study specifically established that age of the firm largely affected financial deepening. Further, the study established that the nature of products and variety of products and services moderately affected financial deepening. Regression analysis established that company specific factors and financial deepening are positively correlated,

given by $R = 0.494$. Further, the adjusted R^2 of 0.244 means that only 24.4% of changes in financial deepening within the insurance sector were due to variations in company specific factors. This implied that 75.6% of variations in financial deepening were due to other factors, other than company specific factors. Company specific factors were found to significantly affect financial deepening in the insurance sector given $p < 0.05$. This implies that age of the firm, the nature of products and services offered by the insurance firm and variety of products led to improved financial deepening in the insurance sector. The p-value of .007 suggested that the company specific factors reliably and significantly predict financial deepening in the insurance sector.

5.3.4 Financial Characteristics and Financial Deepening of Insurance Firms in Kenya

The study found out that financial characteristics affect financial deepening of insurance sector in Kenya to a moderate extent. The study further established profitability of the firm had the highest effect, followed by leverage and liquidity of the firm respectively. Regression analysis established that financial characteristics of insurance firms and financial deepening are positively correlated, by $R = 0.434$. The adjusted R^2 of 0.132 means that only 13.2% of changes in financial deepening within the insurance sector were due to variations in financial characteristics of the firms. This implies that 86.8% of variations in financial deepening were not due to financial characteristics of the insurance firms. The study also established that financial characteristics of insurance firms significantly affect financial deepening in the insurance sector, given $p < 0.05$. This implies that profitability, leverage and equity of the firms led to improved financial deepening in the insurance sector. The p-value of .028 suggests that financial characteristics of firms reliably and significantly predict financial deepening in the insurance sector.

5.3.5 Management Strategies for Financial Deepening among Insurance Firms

The respondents were asked to indicate the level of their agreement with the extent to which the strategies enlisted help their firms to achieve financial deepening. The responses were based on the Likert scale; Where 1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree. Table 4.5 indicate that on average, the respondents strongly agree that the listed management strategies help the insurance sector to achieve financial deepening in Kenya, given an average mean of 1.7128 (SD=.68643). Specifically, the

respondents strongly agreed that nine (9) out of the ten (10) management strategies help the insurance sector to achieve financial deepening in Kenya. They agreed that financial education has greatly helped consumers to find the information that they need, which helps in achieving financial deepening, having a mean of 2.2340 (SD=.83958).

The most favored management strategy was the employment of technology by the insurance firms to evaluate and assess the risk of new financial services and networks, given by a mean of 1.4468 (SD=.54408). This was followed by disclosure of information to consumers about all material facts so that they are aware of the implications of their choices affect financial deepening and then the promotion of financial digitalization in order to facilitate customers' access to insurance products, as given by the mean 1.5532 (SD=.65304) respectively. The other strategies that they strongly agreed help in achieving financial deepening include assessment of the consequences of changes in economic conditions and policies; development of new products and services based on the trend and expectations of local and global economic performance; harnessing technology for the development of insurance services; the use of "correspondents" or "service points" that offer a limit set of financial services acting as representatives of the organization and then creation of awareness regarding accessibility to financial products/ service. There is also emphasis on financial literacy and sensitization that they strongly agreed led to increased financial deepening.

Considering the moderating effect of size of the firm, the study found out that $R = 0.765$ implying that organizational factors, including size of the firm and financial deepening have a positively significant correlation. The adjusted R^2 of 0.546 means that 54.6% of changes in financial deepening within the insurance sector were due to organizational factors, including size of the firm. This implied that 45.4% of variations in financial deepening were due to other factors that are not part of this study. The study also established that organizational factors, including size significantly affect financial deepening in the insurance sector, given $p < 0.05$. This imply that organizational factors led to improved financial deepening in the insurance sector. The p-value of .000 suggests that organizational factors, including size of the firm reliably and significantly predict financial deepening in the insurance sector.

5.4 Conclusions

Based on the objective, the study conclude that organizational factors significantly affect financial deepening in the insurance sector. This imply that organizational factors led to improved financial deepening in the insurance sector. Equally, organizational factors reliably and significantly predict financial deepening in the insurance sector. The organizational factors included corporate governance factors, company specific factors and financial characteristics.

The study also conclude that corporate governance factors significantly affect financial deepening in the insurance sector, such that improved corporate governance on the basis board size, board diversity and board committees, lead to improved financial deepening in the insurance sector. Corporate governance factors also reliably and significantly predict financial deepening in the insurance sector. Specifically, it can be concluded that corporate governance factors affect financial deepening of insurance sector in Kenya to a moderate extent. The composition of the board committees had the highest effect, followed by the size of the board and then the extent of board diversity. Corporate governance factors and financial deepening is also positively correlated.

Regarding company specific characteristics, the study concluded that company specific factors significantly affect financial deepening in the insurance sector. This implies that age of the firm, the nature of products and services offered by the insurance firm and variety of products led to improved financial deepening in the insurance sector. The company specific factors also reliably and significantly predict financial deepening in the insurance sector. Specifically, the study concluded that company specific characteristics affect financial deepening to a moderate extent. Age of the firm largely affected financial deepening. Further, the nature of products and variety of products and services moderately affected financial deepening. The study also concluded that company specific factors and financial deepening were positively correlated, with only 24.4% of changes in financial deepening within the insurance sector being due to variations in company specific factors. This implied that 75.6% of variations in financial deepening were due to other factors, other than company specific factors.

The study also concluded that financial characteristics of insurance firms significantly affect financial deepening in the insurance sector. This implies that profitability, leverage and equity of the firms led to improved financial deepening in the insurance sector. Financial characteristics of the firms also reliably and significantly predicted financial deepening in the insurance sector. It was also established that financial characteristics of insurance firms and financial deepening were positively correlated. The adjusted R^2 of 0.132 meant that only 13.2% of changes in financial deepening within the insurance sector were due to variations in financial characteristics of the firms. This implies that 86.8% of variations in financial deepening were not due to financial characteristics of the insurance firms. Specifically, the study also conclude that financial characteristics affect financial deepening of insurance sector in Kenya to a moderate extent. Further, profitability of the firm had the highest effect, followed by leverage and liquidity of the firm respectively.

Regarding strategies for management strategies for financial deepening among insurance firms, the study concluded that the listed management strategies helped the insurance sector to achieve financial deepening in Kenya. Specifically, financial education has greatly helped consumers to find the information that they need, which helps in achieving financial deepening. The most favored management strategy was the employment of technology by the insurance firms to evaluate and assess the risk of new financial services and networks. This was followed by disclosure of information to consumers about all material facts so that they are aware of the implications of their choices affect financial deepening and then the promotion of financial digitalization in order to facilitate customers' access to insurance products. The other strategies that helped in achieving financial deepening include assessment of the consequences of changes in economic conditions and policies; development of new products and services based on the trend and expectations of local and global economic performance; harnessing technology for the development of insurance services; the use of "correspondents" or 'service points" that offer a limit set of financial services acting as representatives of the organization and then creation of awareness regarding accessibility to financial products/ service. There is also emphasis on financial literacy and sensitization that they strongly agreed led to increased financial deepening.

The literature review encompasses several studies that investigate the relationship between financial deepening and various sectors in different countries, particularly within the African context. Researchers have explored the impact of financial deepening on stock market performance, client deposits in commercial banks, insurance activities, and the performance of sectors such as manufacturing and banking. While each study offers unique insights into the dynamics of financial deepening, they collectively highlight the significance of understanding how organizational factors and financial metrics influence the depth and performance of financial systems within specific sectors and countries.

In alignment with this body of literature, the present study focuses on examining the effect of organizational factors on financial deepening within the insurance sector in Kenya. The study aims to determine the levels of financial deepening, explore the relationship between firm factors and financial depth, and identify management strategies to enhance financial deepening among insurance firms. By analyzing corporate governance variables, company characteristics, and financial metrics as independent variables, the study contributes to the broader understanding of how organizational dynamics shape financial deepening within specific sectors and countries, thereby informing policies and practices aimed at fostering financial inclusion and economic development.

The research findings from the study can be effectively linked to the Theory of Financial Intermediation and Financial Inclusion Theory, offering insights into how organizational factors and management strategies within the insurance sector contribute to financial deepening and broader economic development goals. Within the Theory of Financial Intermediation, the study's emphasis on corporate governance structures and financial characteristics aligns with the theory's premise that strong governance practices and financial health are essential for efficient intermediation of financial resources. Notably, the significant relationship between corporate governance variables and financial deepening underscores the importance of trust and efficiency in financial intermediation processes, enhancing stakeholders' confidence in insurance firms.

Furthermore, the study's findings resonate with the principles of Financial Inclusion Theory, particularly regarding the role of management strategies in promoting access to financial services. The emphasis on technology adoption, disclosure practices, and digitalization reflects the theory's focus on leveraging technology to overcome barriers and

provide inclusive financial services to underserved populations. By promoting transparency and empowering consumers to make informed decisions, insurance firms can foster trust and participation in the financial system, thereby advancing financial inclusion objectives. Overall, the study contributes to the theoretical understanding of financial intermediation and inclusion by demonstrating how organizational dynamics within the insurance sector drive financial deepening and support broader economic development efforts.

5.5 Recommendations

The findings and conclusions of the study has elicited the following recommendations:

5.5.1 Recommendations to Practice

For the purpose of putting the findings of the research into practice, the staff and management of insurance firms would be guided in the development of innovative strategies that would improve financial transactions and, ultimately, financial deepening. Following the completion of the study, insights would be generated that would make it possible to develop strategies that are centered on individuals who are not covered by insurance. Therefore, this would increase the necessity of insurance inclusion in order to bring about improvements in financial deepening. Additionally, the research would be of use to insurance firms in the formulation of a suitable combination of financial deepening and the establishment of an adequate plan for dealing with the management of deposits.

Additionally, the study provides managers of insurance companies with food for thought in terms of considering the practical trade-offs that are involved in the process of digitizing the process of funds mobilization. The conclusion that organizational factors significantly affect financial deepening in the insurance sector, imply that management of the insurance firms would emphasize on improving the corporate governance factors, company specific factors and financial characteristics considered in the research. Additionally, strengthening organizational factors is necessary to promote financial deepening in in the insurance sector.

5.5.2 Recommendations for Policy Makers

A significant amount of assistance would be provided by the findings of the research in the process of formulating policies for the modification of intervention measures concerning hazards associated with financial deepening. Additionally, this study would be of assistance in the design of risk management policy, which would assist in the definition of guidelines that can be utilized in the process of regulating financial deepening. The study also recommends regulators to produce recommendations for the adoption of various techniques to financial deepening. These standards should be developed in such a way that the integrity of consumer data is not compromised, and financial risk exposures are successfully handled.

Based on the findings of the study, it was determined that the utilization of technology by insurance companies as a means of evaluating and assessing the risk associated with new financial services and networks was the management method that was most favored. It may be deduced from this that policymakers would make use of the manner in which technology would be implemented in order to improve financial deepening in the insurance sector, particularly with regard to the notion of financial technology. Improving financial deepening is advantageous to both the mobilization of savings and the elimination of poverty, and so the government ought to pursue policy measures with the intention of improving financial deepening. In particular, the role of the insurance sector, is a major policy area considering the increasing growth of the sector.

5.5.3 Contribution to Knowledge

The findings are anticipated to provide scholars with a foundation for comprehending major concerns in financial deepening among financial institutions, with a particular emphasis on insurance businesses and the financial performance of those companies. The purpose of this endeavor is to ensure that there is a comprehension of the means by which insurance firms can raise cash through the process of financial depth and, ultimately, improve their financial performance. This would encourage a great deal of study in the field of financial deepening in the insurance industry, which has received very little attention. The findings of this study have thereby contributed to the advancement of empirical research in a sector that is experiencing fast-paced growth.

5.6 Limitations of the Study

The research had a few shortcomings, one of which was that the data were sensitive, particularly with regard to the financial aspects of the organization. This was one of the constraints of the study. The insurance companies were located in different parts of the world, and the timeliness of the data collection activities was not sufficient. Because of this, the researcher was had to make use of a number of research assistants in order to collect the data within the allocated time frame. Additionally, the researcher distributed a number of questionnaires, which, once filled out, were scanned and then dispatched at a time that was convenient for the researcher. The fact that some of the informants were concerned about the presentation of replies to crucial questions since those questions touched on critical activities was another obstacle. In order to fix this issue, the university wrote a letter to the individual in order to introduce themselves and explain them about the data and research work that was used for academic purposes.

5.7 Suggestions for Future Research

Specifically, the purpose of this study was to investigate the impact that organizational characteristics have on the financial development of the insurance industry in Kenya. The research relied significantly on a combination of primary and secondary data in the form of information obtained from the report of the Insurance Regulatory Authority as well as representatives of the insurance companies. In the future, a study that is comparable to this one might be conducted, and because of the high reliability of secondary data, it might be employed. There were three different sets of organizational components that were employed as independent variables in the study. These sets were corporate governance factors, firm specific factors, and financial considerations factors. In the future, it would be desirable to conduct a study such to this one utilizing different firm characteristics. Additionally, in the future, a study of a similar nature could be conducted on other industries, such as the banking industry or microfinance institutions.

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APPENDICES

Appendix I: Informed Consent Form

My name is Mohamed Abdullahi Mahat, a student at Strathmore University, where I am pursuing a Masters' degree in Development Finance. As part of my degree requirements, I am completing a research study and I would like to include you in the study. My research Supervisor, Dr. Geoffrey Injeni may be contacted for any clarification. Your written consent is required to participate so I can confirm that you have been informed of the study and that you agree to participate. You are free to decline or discontinue your participation at any time during the study if you wish to do so. All information obtained in this study was kept confidential; a number will be assigned to the research forms to ensure your privacy is protected.

Your name or identity will not be revealed, since the questionnaire is filed in anonymity. The purpose of the research is to gain a further understanding of effect of organizational factors on financial deepening of the insurance sector in Kenya. The primary data collected through this questionnaire, will help to identify management strategies to achieve financial deepening among insurance firms in Kenya, as part of the objectives.

You will be required to complete the questionnaire on this subject including some demographic information about the company. This is not an exam or a test, there is no deception in these questions, and there are no right or wrong answers, simply answer the questions as honestly as you can. The outcome of the information obtained during this research will be summarized and utilized in my research study.

My Consent to Participate:

By signing below, I consent to participate in this study

Signature of Participant _____ Today's Date _____

Principal Researcher _____ Today's Date _____

Participant Number to be used on all documents: _____

Appendix II: Questionnaire

I humbly request that you answer the following questionnaire to the best of your ability. Your contributions will be utilized solely for educational reasons. Please complete this form to the best of your knowledge and ability.

A. Bio Data of the Company

1. Name of the Company: _____
2. Indicate your current position: _____
3. Gender?
 - Male ()
 - Female ()
4. Age bracket?
 - 18 – 23 years ()
 - 24– 30 years ()
 - 31 – 35 years ()
 - 36 - 39 years ()
 - 40 – 47 years ()
 - 48 years and above ()
5. How long have you held the position that you currently hold??
 - 1– 2 years ()
 - 3– 6 years ()
 - 7– 10 years ()
 - 11 years and above ()



B. Organization Factors Affecting Financial Deepening

Please indicate the level of your agreement with the extent to which the organizational factors listed affect financial deepening of your organization, using the scale: 5 = To a very large extent; 4 = Large extent; 3 = Moderate extent; 2 = Small extent and 1 = Very small extent.					
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent

	Corporate Governance Factors	1	2	3	4	5
1.	The size of the board.					
2.	The extent of board diversity					
3.	The composition of the board committees					
	Company-specific Characteristics					
4.	Age of the firm.					
5.	Whether the company offers life or general business.					
6.	The variety of the products offered.					
	Financial Characteristics					
7.	Profitability of the firm.					
8.	Leverage of the firm.					
9.	Liquidity of the firm.					

C. Management Strategies to Achieve Financial Deepening among Insurance Firms

Please indicate the level of your agreement with the extent to which the strategies enlisted help your firms to achieve financial deepening. Use the Likert scale; Where 1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree

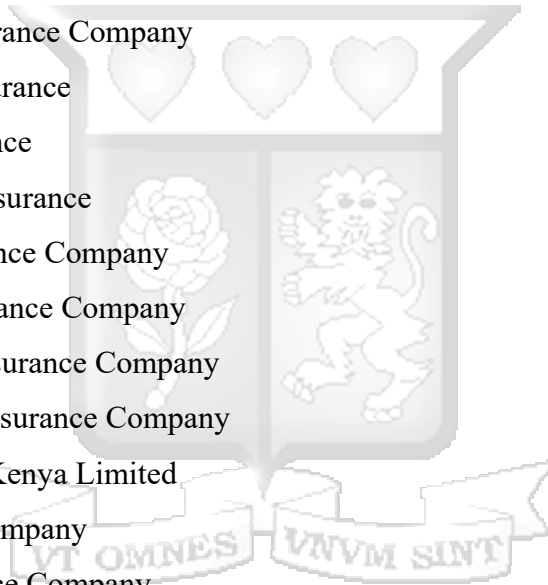
	Management Strategies	1	2	3	4	5
1.	Financial Literacy and sensitization has led to increased financial deepening.					
2.	Financial education has greatly helped consumers to find the information that they need					
3.	Accessibility to financial products/ service awareness has improved financial deepening					
4.	Understanding the consequences of changes in economic conditions and public policies affect financial deepening.					
5.	Disclosing information to consumers about all material facts so that they are aware of the implications of their choices affect financial deepening.					

6.	The organization has promoted financial digitalization in order to facilitate customers' access to insurance products.					
7.	There is the use of "correspondents" or 'service points" that offer a limit set of financial services acting as representatives of the organization.					
8.	The organization has employed technology to evaluate and assess the risk of new financial services and networks					
9.	The organization is actively involved in harnessing technology for the development of its insurance services					
10.	The organization develops new products and services based on the trend and expectations of local and global economic performance.					

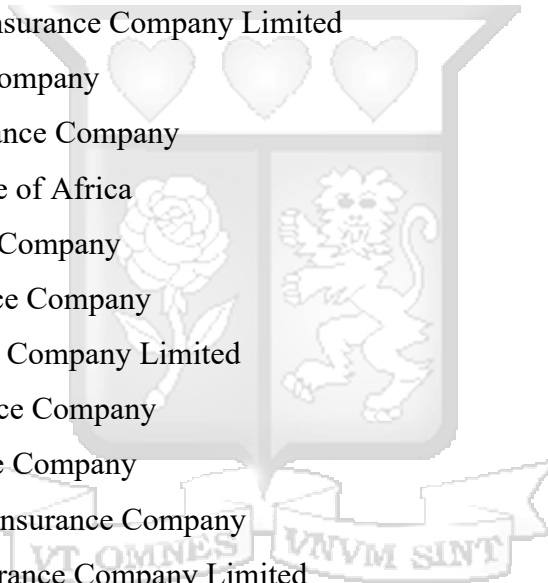
1. Please indicate any other management strategies the insurance company uses to achieve financial deepening.

Appendix III: List of Licensed Insurance Companies

1. AAR Insurance Kenya
2. APA Insurance - Part of Apollo Investments Company
3. Africa Merchant Assurance Company - AMACOO
4. Apollo Life Assurance
5. AIG Kenya Insurance Company
6. Barclays Life Assurance Kenya Limited
7. Britam General Assurance Kenya Limited
8. Britam Life Insurance Kenya Limited
9. Cannon Assurance Company Limited
10. Capex Life Assurance Company
11. CIC General Insurance
12. CIC Life Assurance
13. Continental Reinsurance
14. Corporate Insurance Company
15. Direct line Assurance Company
16. East Africa Reinsurance Company
17. Fidelity Shield Insurance Company
18. First Assurance Kenya Limited
19. GA Insurance Company
20. Geminia Insurance Company
21. ICEA LION General Insurance Company
22. ICEA LION Life Assurance Company
23. Intra Africa Assurance Company
24. Invesco Assurance Company
25. Kenya Alliance Insurance Company Limited
26. Kenindia Assurance Company
27. Kenya Orient Insurance
28. Kenya Reinsurance Corporation
29. Liberty Life Assurance Kenya Limited
30. Madison Insurance Company Kenya



31. Mayfair Insurance Company
32. Mercantile Insurance Company
33. Metropolitan Life Insurance Kenya
34. Occidental Insurance Company
35. Old Mutual Life Assurance Company
36. Pacis Insurance Company
37. Pan Africa Life Assurance
38. Phoenix of East Africa Assurance Company
39. Pioneer General Insurance Company
40. Pioneer Assurance Company
41. Prudential Life Insurance Company Limited
42. Real Insurance Company
43. Resolution Insurance Company
44. Takaful Insurance of Africa
45. Tausi Assurance Company
46. Heritage Insurance Company
47. Jubilee Insurance Company Limited
48. Monarch Insurance Company
49. Saham Assurance Company
50. Sanlam General Insurance Company
51. Sanlam Life Insurance Company Limited
52. Trident Insurance Company
53. UAP Insurance Company
54. UAP Life Assurance Company
55. Xplico Insurance Company



Appendix IV: Raw Data on Organizational Factors, Size of the Firm and Financial Deepening

	Insurance Company	Financial Deepening	Size of the Firm	Corporate Governance Factors	Company Specific Factors	Financial Characteristics
1	AAR Insurance Kenya	0.56	15.29	3.67	3.67	3.33
2	APA Insurance	0.96	16.63	4.67	4.33	4.00
3	AMACOO	0.13	15.07	2.33	3.67	3.67
4	Apollo Life Assurance	0.18	15.66	3.33	3.33	3.33
5	AIG Kenya Insurance Company	0.31	15.81	4.00	3.33	3.67
6	Barclays Life Assurance Kenya	0.25	14.84	4.00	4.00	3.67
7	Britam General Assurance Kenya	0.81	16.12	3.67	4.33	3.67
8	Britam Life Insurance Kenya Limited	1.64	17.88	5.00	4.67	4.33
9	Cannon Assurance Company Limited	0.11	16.27	3.00	3.00	3.33
10	Capex Life Assurance Company	0.03	13.84	2.67	3.67	4.00
11	CIC General Insurance	1.01	16.42	3.67	4.00	3.33
12	CIC Life Assurance	0.40	16.59	3.33	4.00	5.00
13	Corporate Insurance Company	0.06	14.80	2.67	3.00	4.00
14	Direct line Assurance Company	0.30	14.96	3.67	4.00	4.00
15	Fidelity Shield Insurance Company	0.22	15.11	3.33	4.00	4.00
16	First Assurance Kenya Limited	0.39	15.72	4.00	4.00	4.33
17	GA Insurance Company	1.01	17.00	4.67	4.00	4.33
18	Geminia Insurance Company	0.49	15.31	4.67	4.00	3.67
19	ICEA LION General	0.56	16.41	4.33	4.00	4.33
20	ICEA LION Life Assurance Company	1.25	18.51	4.33	4.00	3.67
21	Intra Africa Assurance Company	0.13	14.49	3.67	3.00	3.67
22	Invesco Assurance Company	0.07	15.29	2.33	3.33	4.67
23	Kenya Alliance Insurance Company	0.20	15.95	2.67	4.00	3.33
24	Kenindia Assurance Company	0.60	17.88	3.33	3.67	3.67
25	Kenya Orient Insurance	0.16	15.22	4.00	4.33	4.67
26	Liberty Life Assurance Kenya	0.30	17.03	4.33	4.67	3.33

	Insurance Company	Financial Deepening	Size of the Firm	Corporate Governance Factors	Company Specific Factors	Financial Characteristics
27	Madison Insurance Company Kenya	0.61	16.80	4.67	3.67	4.33
28	Mayfair Insurance Company	0.34	15.89	3.33	3.33	3.33
29	Occidental Insurance Company	0.26	15.43	4.00	3.00	3.67
30	Old Mutual Life Assurance Company	0.30	17.71	4.00	4.33	4.00
31	Pacis Insurance Company	0.14	14.84	3.67	3.67	3.33
32	Pioneer General Insurance Company	0.09	14.23	3.67	4.00	4.00
33	Pioneer Assurance Company	0.21	15.77	4.00	4.67	3.67
34	Prudential Life Insurance Company	0.06	14.45	4.67	4.33	4.00
35	Resolution Insurance Company	0.31	15.98	3.67	3.33	3.33
36	Takaful Insurance of Africa	0.09	14.68	3.67	4.00	3.00
37	Tausi Assurance Company	0.12	14.93	4.33	4.00	3.00
38	Heritage Insurance Company	0.51	16.12	4.00	4.33	3.67
39	Jubilee Insurance Company Limited	0.91	18.74	4.00	4.67	3.67
40	Monarch Insurance Company	0.14	14.98	4.67	4.00	3.33
41	Saham Assurance Company	0.14	15.28	4.67	4.33	3.33
42	Sanlam General Insurance Company	0.31	14.60	4.33	3.33	3.00
43	Sanlam Life Insurance Company Limited	0.38	17.13	4.00	4.67	3.33
44	Trident Insurance Company	0.09	15.69	3.33	4.00	3.33
45	UAP Insurance Company	0.80	16.40	3.67	3.33	3.33
46	UAP Life Assurance Company	0.10	16.09	4.33	3.67	4.00
47	Xplico Insurance Company	0.10	14.94	4.00	4.00	3.67

Appendix V: Ethical Letter from Strathmore University



8th April 2024

Mr Mahat Mohamed,
mohammed.mahat@strathmore.edu

Dear Mr Mahat,

**RE: EFFECT OF ORGANIZATIONAL FACTORS ON FINANCIAL
DEEPENING OF THE INSURANCE SECTOR IN KENYA**

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters research proposal. Your application reference number is SU-ISERC2065/24. The approval period is from 8th April 2024 to 7th April 2025.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

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

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC



Appendix VI: Research License from NACOSTI

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This is to Certify that **Mr. Mohamed Abdullahi Mahat of Strathmore University**, has been licensed to conduct research as per the provision of the **Science, Technology and Innovation Act, 2013 (Rev.2014)** in **Nairobi** on the topic: **Effect of Organizational Factors on Financial Deepening of The Insurance Sector in Kenya**, for the period ending: **17/April/2025**.