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Financial Management Practices and Financial Performance of Insurance Companies Listed at Nairobi Securities Exchange in Kenya

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Abstract

The financial performance of Listed Insurance Companies in Kenya's insurance industry has fluctuated significantly. This study looked into the relationship between Kenyan insurance businesses that are listed on public markets' financial performance and their financial management practices. The specific objectives included examining the impact of working capital management, capital budgeting, and capital structure on the financial performance of listed insurance companies as well as the extent to which inflation affected the relationship between financial management practices and listed insurance companies' financial performance. An explanatory research design was used. Six listed insurance companies made up the target population. In this analysis, all six listed insurance firms were considered. Because there were so few companies, a census was undertaken. Panel secondary data for the years 2015–2022 was used. Both descriptive and inferential statistics were used to analyze the data. Results indicated that high and positive association was shown between successful financial management and working capital management. High and negative correlation between capital structure and financial performance is revealed by random effects regression analysis. Capital budgeting and financial success had a positive and significant correlation. The study also discovered that the association between financial performance and financial management techniques is negatively moderated by inflation. According to the study's findings, capital structure has a detrimental effect on financial performance whereas working capital management and capital budgeting have a positive one. This study suggested that insurance companies listed at NSE should seek to maintain adequate current assets that would be enough to cater to all short-term liabilities that may arise in the course of the business operations. Insurance firms should also seek to balance the use of debt financing and equity financing to ensure the negative effect of high debts is neutralized. This study hence recommended that insurance firms should seek to adopt practices that will reduce the cost of investment but also increase the return on the investment. This study also made suggestions that insurance firms listed at NSE should be able to understand the economic situations in terms of inflation and make the right financial decisions that would not negatively impact their performance. The study also recommends that the IAA should provide regulations that will protect insurance firms against the effect of inflation.

Keywords: *Working capital management, Capital structure, Capital budgeting, financial performance, listed insurance companies*

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1. Introduction

Insurance businesses aim for profitability which is a proxy for financial performance (Alhassan, Addisson, & Asamoah, 2015). Through profitability, a company increases its competitiveness in the market. A profitable firm has better access to capital as most lending institutions take into account the firm's bottom line when evaluating credit risk. Andrade (2022) posits that insurers' profitability is determined by evaluating premiums and income from the investment while taking into account the total loss from operations. Insurance firms face significant risks while underwriting, handling claims, and reinsurance management.

According to Snider and Davies (2018), financial management is the adaptation of wide-ranging objectives and strategies into financial terms. Inadequate financial management given the numerous business risks often leads to the failure of many businesses. Financial management allows companies to employ resources to maximise shareholders' wealth effectively (Benard, 2019). Bruwer (2018) noted that a firm can achieve some control over market forces using financial management tools which enhance effectiveness and overall performance.

The global insurance industry was born from a combination of financial turmoil and economic uncertainty due to the economic crisis. In the Asia-Pacific region, increasing wealth and an aging population are driving income growth. Latin America continues to offer significant growth potential to insurers. In the United States, Europe, and Canada, many insurance companies have recapitalized and are preparing to grow (Hassan, 2022).

Nigeria's evolution has gone through various stages within the African context. A few of the changes mentioned by Akande et al. (2020) are the number of participants, ownership structure, expansion of the breadth and depth of activities, and regulatory changes. Deregulation, globalization, technology, regulatory intervention, and recapitalization are just a few of the drivers that have sparked these changes. To achieve a stable capital structure, the company must undergo recapitalization, which involves adjusting the debt-to-equity ratio. Typically, this requires transitioning from one sort of finance to another, such as debt to equity and back again.

Despite several advancements and consolidations over the years, insurance companies still operate poorly. In the past, Kenya has placed a number of insurance businesses under administration. (Kariuki, Muturi & Njeru, 2021). In 2008, curatorship for Invesco Guarantee was instituted. According to Mudaki and Wanjere (2018), other businesses that have failed in the past include Stallion Insurance, Lake Celebrity Assurance Company, Access Insurer, Kenya National Guarantee Business, and United Insurance Company. According to IRA (2018), the insurance firms did not meet their obligation to the shareholders.

1.1 Problem Statement

Kenya's financial services sector includes the insurance sector, which is crucial because it aids in the expansion and improvement of the national economy. Over the years, the insurance industry's contribution to GDP has been improving. In 2015, the insurance industry contributed 10.1% to GDP, 6.1%, in 2016, 6% in 2027, 6% in 2018, 6.6%, in 2019, 6.8% in 2020,7.1% in

2021, and 9.2% in 2022. Moreover, there have been substantial swings in the Kenyan insurance market's monetary success as indicated by ROE. In 2015, the insurance market's return on equity was 12.4% which dropped to 9.9% in 2016. This was followed by a further drop to 9.7% in 2017 and further went down to 4.9% in 2018. In 2019, the insurance market's return on equity rose to 9.7%, which was followed by a drastic decline to 3.9% in 2020. Additionally, insurance market's return on equity was 6% in 2021 and 7% in 2022(IRA, 2020). This research is prompted by the apparent fluctuations in the rate of ROE in the insurance sector.

Numerous studies have been conducted to examine how financial management practices affect a company's financial performance. Semucio (2022) investigated the relationship between Rwandan private insurance firms' financial performance and financial management techniques. This study has substantive gaps in that it focuses on insurance companies in Rwanda, which presents a different economic environment than Kenya. Kinyua (2018) looked into how investment planning choices affected the monetary results. The lack of a substantial correlation between capital budgeting and financial success in this study is an empirical gap. The findings differ from those of related studies. Mwanika (2020) investigates how capital budgeting strategies affect small- and medium-sized businesses' financial performance. The descriptive research methodology used in this study was less effective than an explanatory research strategy at identifying associations between variables, leading to the methodological gap. This study looked at how financial management strategies influenced financial success of Kenyan insurance firms that trade on the NSE to close a research gap in the field. This has not received adequate scrutiny in past studies hence the need to comprehensively research on it.

1.2 Research Hypotheses

H_{01}: Working capital management has no substantial effect on listed insurance companies' financial performance.

H_{02}: Capital structure has no substantial effect on listed insurance companies' financial performance.

H_{03}: Capital budgeting has no substantial impact on listed insurance companies' financial performance.

H_{04}: The connection between financial management techniques and listed insurance firms' financial performance listed is not significantly moderated by inflation.

2. Literature Review

2.1 Theoretical Review

The Agency Theory was introduced by Adam Smith (1776) who observed that the increased emergence of joint stock firms created a significant gulf between the business owners and managers. Smith (1776) argued that managers are likely to be less vigilant than business owners since they manage other people's money and not their own. As a result, the connection between owners and managers is critical to corporate dynamics. Agency theory is a management economics theory that examines how agents and principals interact as well as how control is delegated inside a certain company.

The agency principle applied to this research as it explores financial management which is an essential tool in solving the agency problem. This study concentrated on publicly traded insurance firms whose management is carried out on the shareholders' behalf by agents.

Management must therefore employ a variety of financial management techniques while making sure that they are in the best interests of shareholders. This is the basis for a number of financial management techniques, including working capital management, capital structure, and capital budgeting.

Market timing theory was created by Baker and Wurgler in 2002, and studies have shown that temporal factors—rather than optimal debt levels—influence capital structure decisions. The market timing theory enables researchers to understand how various corporations make capital structure theories. According to Baker and Wurgler (2002) sentiments, most of the investments of various companies depend on debts and equities. According to this theory, firms may either choose equity or debt to finance their investments. Here, firms don't care what to choose. However, firms consider the overvalued source of finance in the market at that time. When equity is overvalued in the financial markets, a firm issues equity and repurchases it back when there is a low share price in the market.

A study by Saad (2010) confirmed that firms employ equity when the current market price is greater than the book value and the historical market value is already high and buy back in the future when the price declines. The capital structure variable in this investigation was consequently supported by the theory.

Stakeholder Theory was first put forward by Freeman (1984) to address the ethical aspects of management and business. The three interconnected business concerns that Freeman (1984) aimed to address were the issues of value creation and commerce, ethics and capitalism, and management's guiding principles. The theory recommends the inclusion of relationships between an enterprise and the parties that are affected by the decision-making process to effectively address the three issues.

The shareholder theory maintains a framework for ensuring that financial performance is not the single factor and purpose of a given concern. Critics of the theory suggest that it is an excuse employed for managerial opportunism (Sternberg, 2000). According to Wanjungu (2014), the theory provides a platform for management to argue their actions that do not benefit shareholders while engaged in self-dealings. Jensen (2000) argued that financial performance is easily tracked where management is tasked with value maximization for shareholders. However, stakeholder theory creates more accountability by increasing the number of parties that the management needs to take into consideration thus limiting self-dealing. Numerous concerns have been raised in the past over the primary goal of firms. According to Ruf et al. (2001), the stakeholder theory asserts that shareholders who are the dominant stakeholders benefit when management meets the expectations of the various stakeholders. As a result, the principle is pertinent to our study since it clarifies the idea of financial performance.

2.2 Empirical Review

2.2.1 Working Capital Management and Financial Performance

Working capital management's effect on the profitability of Kenyan businesses was researched by Jagongo and Makori (2013). Five publicly traded industrial and construction companies from the years 2003 to 2012 are used in this analysis, which uses balanced panel data. The study's findings indicated a positive correlation between profitability with the duration of the payment cycle, but a negative relationship between profitability and the length of the cash conversion cycle and the quantity of cash on hand.

Regression analysis results for this study indicate a strong link between successful business operations and working capital management. In contrast to the negative correlations identified between profitability and accounts receivable, daily inventory, cash conversion cycle, and debt ratio, this study demonstrated a positive link between debt, growth, and profitability.

Mwaura (2013) investigated how finance management affected the financial results of Kenyan automakers. The research approach is a descriptive one. The results show how financial management factors can affect a company's financial success as measured by return on capital used. This study shows a strong correlation between effective financial management and superior business performance. Any business' ability to succeed depends on how its financial plan is put together.

2.2.2 Capital Structure and Financial Performance

Gleason et al. (2010) used return on assets as a gauge of company success to assess the effect of capital structure on financial success. It showed that gearing levels and ROA had a negative connection, meaning that a company's profitability would decrease as debt levels increased. Similar findings were made by Hadlock and James (2012), who found a link between firm performance and debt levels.

Abor (2015) found that although long-term debt and ROE were negatively correlated, short-term debt and ROE were positively correlated. This study discovers a bad association between debt and profitability using data on Ghanaian listed companies. Chechet and Olayiwola (2014) found a significant connection between the level of debt and profitability, with both variables having a negative relationship, so high debt results in poor company performance. According to Chung and Chuang (2016), managing capital structure, working capital, and capital budgeting are crucial components of profitability.

2.2.3 Capital Budgeting and Financial Performance

Semucyo (2022) looked into how Rwanda's private insurance companies performed in relation to their financial management practices. According to the study, capital budgeting significantly improved performance. The private sector has an impact on Rwandan insurance companies.

Kinyua (2018) examines how investment planning choices affect the financial results of manufacturing firms listed on the NSE. The information was gathered between the years of 2012 and 2017. According to this survey, industrial organizations utilize capital budgeting software to make investment decisions. The results show that there is no statistically significant correlation between manufacturing businesses' financial performance and their capital planning.

Mwanika (2020) looks at how capital budgeting techniques affect SMEs' financial performance to determine how budget management and financial leverage affect SMEs' financial performance. Data was acquired utilizing questionnaires from 40 SMEs from the financial services, wholesale and retail stores, communications and information technology, agriculture, and drug stores industries. The study's findings demonstrate that capital budgeting strategies improve financial performance.

2.2.4 Inflation and Financial Performance

Mwangi (2017) investigated how Kenyan insurance companies' financial results were affected by inflation. Using a longitudinal approach, the study examined insurance company

performance from 2012 to 2015 across four years. According to the regression analysis, variations in inflation rates might only be responsible for 12.9% of the variation in the ROA of insurance enterprises. Results reveal that the pace of inflation has a detrimental effect on business performance.

Deiganto and Alemu (2019) investigated the variables affecting the financial success of insurance firms doing business in the Ethiopian municipality of Hawassa. The findings indicate that underwriting, premium growth, solvency ratio, GDP growth rate, and inflation rate—five of the eight explanatory variables in the model—have a major impact on insurance companies' financial performance. These variables include underwriting, premium growth, solvency ratio, solvency ratio, and solvency ratio.

Ponjul et al.'s study (2020) examined the effects of macroeconomic factors on the expansion of insurance businesses listed on the Nigerian Stock Exchange between 1990 and 2019. The variables taken into account included GNP, exchange rates, inflation rates, and unemployment rates. The study, which examined five macroeconomic variables, found that only the GDP, inflation rate, and currency rate significantly influenced the growth of insurance companies in Nigeria during the reporting period.

3. Methodology

The study adopted explanatory research design. The study's target population comprised six listed insurance companies as of December 2021 (CMA, 2021). The analysis took into account all six of the listed insurance providers. Therefore, a census was conducted given the small number of the companies. The research used data from secondary panels from 2015 to 2022, which was 8 years. Data analysis included descriptive and inferential statistics. The Hausman test suggests using either a random effects model or a fixed effects model. To ascertain if the regressor is related to the unique error (ui), the Hausman test is performed (Raharjo et al., 2014). When the significance value is higher than the conventional threshold of 0.05, it is thought that the unique error (ui) has nothing to do with the regressor and that the random effects model is a better fit.

4. Results and Discussion

4.1 Descriptive Analysis

Table 1 presents descriptive statistics outcomes

Variable	Obs	Mean	Std. Dev.	Min	Max
Return on Equity	48	0.448	0.556	-0.543	2.053
Working Capital Ratio	48	1.475	0.736	0.301	3.409
Debt to Equity Ratio	48	5.519	5.909	0.003	30.118
Return on Investment	48	6.215	16.113	-6.995	18.505
Inflation	48	6.249	1.095	4.69	8.01

It was determined from the data in Table 1 that there were 48 observations in all. Between 2015 and 2022, the average return on equity (ROE) for all six insurance businesses was 0.448, with a standard deviation of 0.556. During this time, the highest return on equity was 2.053, while the lowest was -0.543. The findings also demonstrated that the working capital ratio had a standard deviation of 0.736 and a mean of 1.475. The working capital ratio has a minimum of 0.301 and a maximum of 3.409. Furthermore, the data revealed that the debt-to-equity ratio

had a 5.909 standard deviation and a mean of 5.519. The observed values ranged from 0.003 at the lowest to 30.118, the highest of which was an anomaly. In addition, the return on investment showed a 16.113 standard deviation and a mean of 6.215. The maximum value of return on investment was 18.505 and the minimum value was -6.995. Finally, inflation rate for the 8-year period from 2015 to 2020 ranged between 4.69 and 8.01 and averaged at 6.249 with a standard deviation of 1.095.

4.2 Hausman Test

To determine the appropriate panel data analysis model to use for estimation, the Hausman test was conducted. The fixed effect is the most appropriate when the P value is less than 0.05, and the random effects model is the most appropriate when the P value is more than 0.05. Table 2 presents the results.

Table 2: Hausman Test

	Coef.
Chi-square test value	3.144
P-value	.37

The P value was 0.37 which necessitated the use of random effects panel analysis model for the study.

4.3 Random Effects

The random effects model would be the most suitable for measuring the correlation between financial performance and financial management strategies, according to the Hausman test results. The results are presented in Table 3.

Table 3: Random Effects Results

Return on Equity	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Working Capital Ratio	.281	.102	2.75	.006	.081	.482	***
Debt to Equity Ratio	-.018	.009	-1.98	.047	-.036	0	**
Return on Investment	.01	.003	2.99	.003	.003	.016	***
Constant	.071	.193	0.37	.711	-.307	.45	

Mean dependent var	0.448	SD dependent var	0.556
Overall r-squared	0.371	Number of obs	48
Chi-square	22.032	Prob > chi2	0.000
R-squared within	0.303	R-squared between	0.449

**** p<.01, ** p<.05, * p<.1*

From the results, it was shown that the overall R square was 0.371. This indicates that fluctuations in the financial performance of listed insurance enterprises may be attributed to

working capital management, capital structure, and capital budgeting, together accounting for 37.1% of the variances. This remaining percentage variation can be a result of other variables that this study did not include.

The entire model was substantial, as indicated by a chi-square P value of 0.000. For this reason, the model that was used to estimate insurance companies' financial performance using the variables of working capital management, capital structure, and capital budgeting was superior to the model that would have been used to estimate financial performance without these factors.

The results indicated that the working capital ratio and return on equity had a significant and positive association (β=0.281, P=0.006). This indicates that fluctuations in the financial performance of listed insurance businesses can be attributed to working capital management, capital structure, and capital budgeting, together accounting for 37.1% of the variances. This was consistent with a 2013 study by Gul et al. that found that implementing working capital management was directly related to successful business operations. In contrast, Gakure et al. (2012) were unable to discover any statistically significant link between various working capital components and the company's success.

The data showed a significant negative correlation (β=-0.018, P=0.047) between the return on equity and the debt-to-equity ratio. The return on equity of listed insurance businesses was therefore predicted to decrease by 0.018 for each unit increase in the debt-to-equity ratio. This was in line with the results of Gleason et al. (2010), who found a negative association between ROA and gearing levels, indicating that a company's profitability would decline with increasing debt levels.

This was also in line with Chechet and Olayiwola (2014) who found a significant connection between the level of debt and profitability, with both variables having a negative relationship, so that high debt results in poor company performance.

The findings also demonstrated a substantial and favorable correlation between listed insurance companies' financial performance and capital budgeting (β=0.01, P=0.003). This indicated that if the return on investment as a measure of capital budgeting was increased by a ratio of 1, the financial performance would increase by 0.01. This was in line with Semucyo's (2022) findings, which showed that capital budgeting significantly improves financial performance. This also concurred with Mwanika (2020) whose findings demonstrated that capital budgeting strategies improve financial performance.

4.4 Moderation Effect of Inflation

Working capital management, capital structure, and capital budgeting were the independent variables that were regressed against return on equity values after they interacted with inflation to ascertain the moderating role of inflation on the link between financial management practices and financial performance.

Table 4: Moderation Effect of Inflation

Return on Equity	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Working Capital*Inflation	.024	.017	1.46	.145	-.008	.057	
Debt to Equity Ratio*Inflation	-.006	.002	-2.89	.004	-.01	-.002	***
Return on Investment*Inflation	.001	0	2.33	.02	0	.001	**
Constant	.326	.236	1.38	.167	-.136	.787	
Mean dependent var		0.448	SD dependent var			0.556	
Overall r-squared		0.181	Number of obs			48	
Chi-square		14.162	Prob > chi2			0.003	
R-squared within		0.261	R-squared between			0.192	

**** p<.01, ** p<.05, * p<.1*

The findings showed that the coefficient for the interaction term between working capital ratio and inflation was positive but not significant (β=0.24, P=0.145). This indicated that inflation may have a positive but insignificant moderating effect on the relationship between working capital management and financial performance.

Conversely, the findings demonstrated that the debt-to-equity ratio and inflation interaction term had a negative and substantial correlation (β=-0.006, P=0.004). This indicated that inflation may have a positive but insignificant moderating effect on the relationship between working capital management and financial performance.

The interaction term between return on investment and inflation had a positive and significant coefficient (β=0.001, P=0.02). This indicates that the relationship between capital management and financial success is significantly and favorably moderated by inflation.

The overall R squared reduced from 0.371 to 0.181. This suggests that the link between financial management techniques and financial performance was significantly moderated by inflation, although negatively.

This was in line with Mwangi's (2017) findings, which showed that the rate of inflation has a negative impact on the performance of businesses. This was not the case for Ishtiaq and Siddiqui (2019), who discovered a positive correlation between inflation and the financial performance of Pakistani life insurance businesses.

4.5 Hypotheses Testing

In testing the hypothesis, a 5% confidence interval was used. P values < 0.05 led to hypothesis being rejected and vice versa.

H_{01}: WCM has no substantial effect on the financial performance

To test the null hypothesis that WCM had no observable effect on the financial success of the insurance businesses listed on the Kenyan NSE, working capital ratio was regressed against

return on equity. A substantial and positive coefficient was discovered (β = 0.281, P = 0.006). The alternative hypothesis, which contends that WCM has a substantial impact on the financial performance of insurance companies listed on the Kenyan NSE, was approved in light of these findings and the null hypothesis was rejected.

H_{02}: Capital structure has no substantial impact on financial performance of listed insurance companies

Regressing the debt to equity ratio versus return on equity allowed us to test the null hypothesis, which states that capital structure has no discernible impact on the financial outcome of the insurance businesses listed on the Kenyan NSE. The coefficient (β=-0.018, P=0.047) was found to be significant but negative in the results. The alternative hypothesis, which maintains that capital structure has a major impact on the financial performance of insurance companies listed on the Kenyan Stock Exchange, was thus accepted and H0 was refuted.

H_{03}: Capital budgeting has no substantial impact on financial performance

The null hypothesis, which claims that capital budgeting has no appreciable impact on the financial performance of listed insurance enterprises, was tested by regressing ROI versus ROE. It was found that the coefficient was positive and substantial (β = -0.01, P = 0.003). As a result, the alternative hypothesis—that capital budgeting significantly affects the financial performance of insurance businesses—was accepted and H0 was rejected.

H_{04}: The relationship between financial management techniques and financial performance of listed insurance firms listed is not significantly moderated by inflation.

The final hypothesis that was looked into was that the relationship between financial management techniques and the financial performance of listed insurance businesses is not significantly impacted by inflation. By regressing the interaction terms against return on equity, which was used to gauge financial performance, the interaction term between the independent components and the moderating variable inflation was discovered. A chi-square P value of 0.003, or less than 0.000, indicates that inflation significantly moderates the relationship between financial management strategies and financial outcomes.

5. Conclusion

The findings showed a positive and significant correlation between the working capital ratio and return on equity. These results supported the study's conclusion that the financial performance of insurance businesses listed on the NSE is considerably and favorably impacted by working capital management. Hence, maintaining high liquidity in a firm by increasing the amount of current assets would lead to insurance firms reporting a higher financial performance. Insurance companies that maintain adequate liquidity will be in a position to meet all their short-term commitments meaning less liquidity risk and hence successful operations of the firms.

Nonetheless, the findings showed a substantial negative correlation between return on equity and the debt to equity ratio. Consequently, the deduction was made that the monetary outcome of insurance businesses listed on the NSE is adversely affected by capital structure, but in a noteworthy way. Thus, there is a greater likelihood of failure and poor financial performance for insurance companies that rely heavily on debt as a financing source. The listed insurance firms that can source for funds through equity financing options can report high returns on equity hence good financial outcomes.

The study also found a significant and favorable relationship between return on investment and return on equity. This information leads to the conclusion that capital budgeting enhances the NSE-listed insurance companies' financial performance. Insurance firms that can make proper capital planning by minimizing the initial cost of investment can get a high return on investment. A high return on investment will hence lead to higher profitability by increasing the return on equity. This corresponds to the insurance company's strong financial performance. The study's final conclusions showed that inflation considerably and negatively moderates the association between finance management strategies and the financial performance of insurance companies listed on the NSE. The correlation between finance management methods and the financial performance of insurance companies listed on the NSE was thus found to be significantly moderated by inflation. Excessive rates of inflation have a detrimental influence on the choices made regarding financing, investments, and liquidity, all of which have an adverse effect on the performance of listed insurance companies.

6. Recommendations

The study found that listed insurance companies' financial performance is positively and significantly impacted by working capital management. This study hence suggested that insurance companies listed at NSE should seek to maintain adequate current assets that would be enough to cater for all short-term liabilities that may arise in the course of the business operations as low liquidity would negatively affect the operations of the firm leading to low financial returns. The study also recommends that the Insurance Regulatory Authority (IAA) should also make policies that will help insurance firms make the right decisions on the liquidity levels to maintain.

The study also discovered that capital structure has a major detrimental influence on the financial performance of insurance businesses listed on the NSE. Insurance firms should seek to balance the use of debt financing and equity financing to ensure the negative effect of high debts is neutralized. The Insurance Regulatory Authority should therefore make policies that will limit the amount of debt that insurance firms can take to finance their operations and policies that will help them have easy access to equity financing.

The study also discovered that the financial performance of insurance businesses listed on the NSE is significantly and favorably impacted by capital budgeting. Therefore, this study suggested that insurance companies look to implement strategies that will lower investment costs while simultaneously raising return on investment. The insurance regulatory authority should also seek to come up with the right policies and guidelines for the insurance firms to be regulated in the cost of investment of the investments they make.

The study's ultimate finding was that the association between listed insurance firms' financial performance and their financial management procedures is significantly and negatively moderated by inflation. This study hence made suggestions that insurance firms listed at NSE should be able to understand the economic situations in terms of the inflation and make the right financial decisions that would not negatively impact their performance. The study also recommends that IAA should provide regulations that will protect the insurance firms against the effect of inflation.

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