

**EFFECT OF FINANCIAL ANALYSIS ON ORGANIZATIONAL PERFORMANCE OF
INSURANCE COMPANIES IN KENYA**

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ABSTRACT

The purpose of the study was to establish the effects of financial management practices on organizational performance of insurance companies in Kenya

. The study adopted descriptive research design.

The population of the research consisted of the 49 licensed insurance companies in Kenya as at 2013 which constituted the units of analysis. The study used both secondary and primary data. Secondary data was for the organizational performance of the companies while primary data was for the information on the financial management practices used by insurance companies in Kenya. Statistical Package for Social Sciences (SPSS) was used in the analysis of data and results were presented on frequency tables to show how the responses for the various variables and indicators posed to the respondents. Reliability and validity tests were conducted to determine the internal consistencies of the variables under investigation. Analysis of Variance (ANOVA), multiple regression and correlation analysis was carried out to test the hypothesis. The data was analyzed by use of descriptive and inferential statistics. Descriptive statistics produced frequencies, trends, means and percentages while inferential statistics produced regression and correlation results which show the relationship among the variables. The study findings indicated that the company management was particular about monthly targets for each department as guided by departmental targets, management in their company conduct monthly and yearly budget variance analysis and management in their company does produce daily, weekly, monthly, quarterly and yearly financial reports.

Regression and correlation results indicated that there was a positive and significant relationship between

financial analysis and organization performance of insurance companies in Kenya. The study concludes that the firms have embraced the budgeting process which involves all the parties to ensure that all departments are well financed. The study findings also led to the conclusion that indeed budget was used in decision making and it is really management tool. It is therefore recommended that the management of insurance companies to consider putting in place the recommended steps seen as probable ways of ensuring that their financial management practices are improved for better return on assets. For instance they should enhance the process of preparation and publication of the company's financial statements, improve the company's capital structure and ensure that the companies fully utilize their debt facility according to their capabilities.

Key Words: *Financial Analysis, Organization Performance, Insurance Companies, Financial Management Practices*

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