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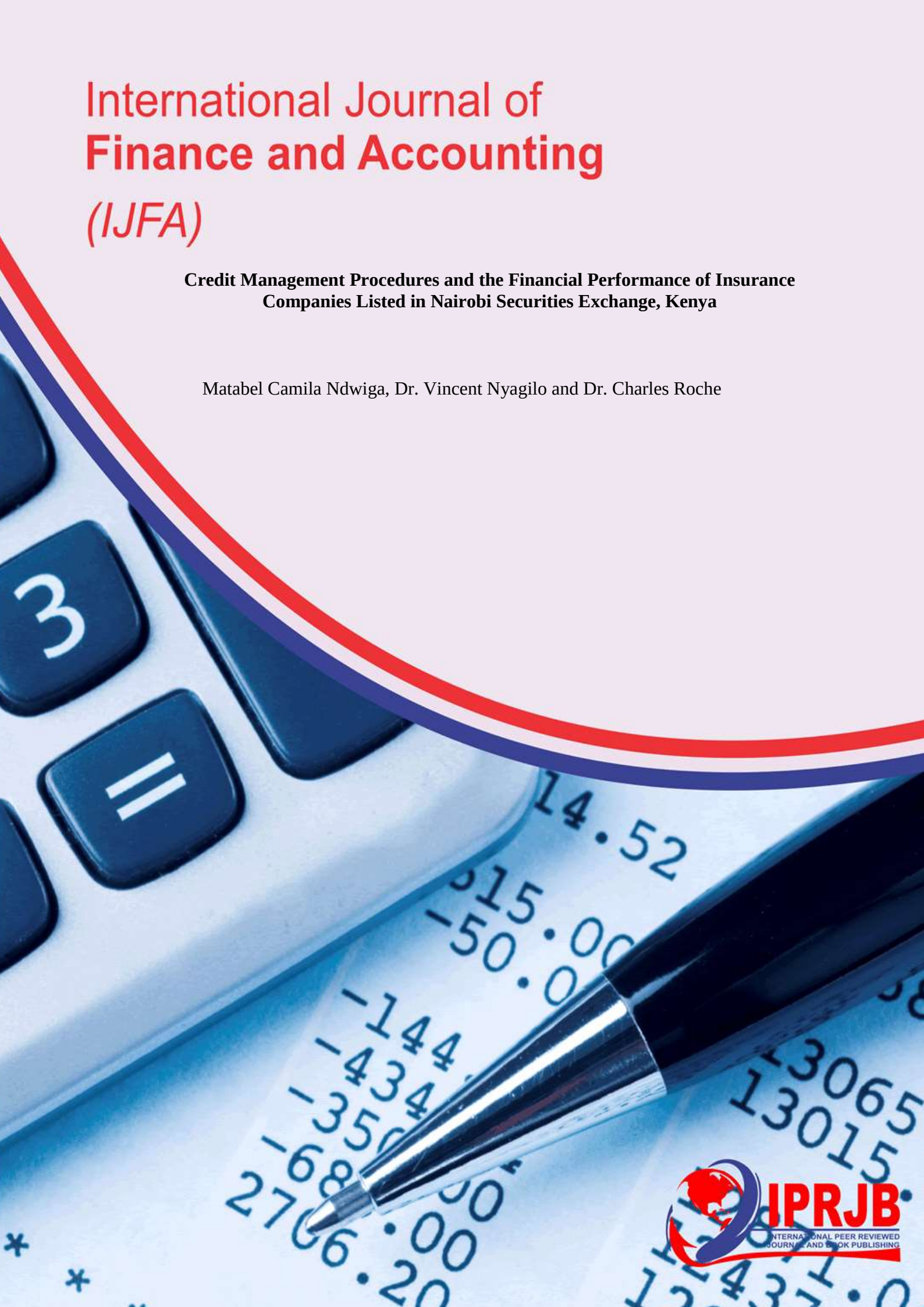
Matabel Camila Ndwiga, Dr. Vincent Nyagilo and Dr. Charles Roche



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Credit Management Procedures and the Financial Performance of Insurance Companies Listed in Nairobi Securities Exchange, Kenya

[1*]Matabel Camila Ndwiga
Jomo Kenyatta University of Agriculture and Technology

[2]Dr. Vincent Nyagilo
School of Business, Jomo Kenyatta University of Agriculture and Technology

[3]Dr. Charles Roche
School of Business, Jomo Kenyatta University of Agriculture and Technology

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Abstract

Purpose: The aim of the study was to investigate credit management procedures and the financial performance of insurance companies listed in Nairobi Securities Exchange, Kenya

Methodology: The study involved secondary information in a graphic report plan. Five years of board information will be utilized in the review (2017-2021). Each of the six of the insurance companies enlisted on the NSE made up the objective market. An information assortment network was utilized to gather optional information. Information investigation was performed utilizing SPSS form 25 to deliver both distinct and inferential insights. Various relapse examination was used to decide the connection between the free factors and the reliant variable.

Findings: The study found that the averages of credit servicing rate for the sampled insurance companies was 80% with a minimum of 48% over the study period skewed to the right (skewness =0.001; Kurtosis = -1.200). The study established that the average existing debt levels was 1,034,492,636.80 with a maximum of 1,190,052,656 and minimum of 913,780,272 skewed to the right (skewness= 0.566; Kurtosis = -2.624). On the relationship between credit risk control and financial performance and insurance companies listed on the NSE, the study found that discovered that the average credit period was 30 days skewed to the left (skewness= -0.411; Kurtosis = -2.413) with a maximum and minimum of 30 respectively over the study. The standard deviation of 0.230 suggested that the success of credit risk control measures was informed by credit period. It was found that the average amount of credit for the sampled insurance companies was Kshs 1,573,453.20 with a maximum of Kshs 1,954,380 and a minimum of Kshs 1,209,006 which was skewed to the left (skewness = -0.219; Kurtosis = -2.716). On the relationship between delinquency management and financial performance of insurance companies listed on the NSE, the study found that the average credit recovery measures was 0.172 skewed to the left (skewness= -0.365; Kurtosis = -2.517) with a maximum of 0.30 respectively over the study. It was also found that the average rate of recovery for the sampled insurance companies was 0.0117 with a maximum of 0.0165 and a minimum of 0.0035 which was skewed to the right (skewness = 0.886; Kurtosis = 0.171). On the relationship between credit disbursement and financial performance of insurance companies listed on the NSE, the study has found that the average terms of repayment was 30 days as minimum (30) and maximum (30) skewed to the right (skewness= 0.113; Kurtosis = 0.04). The findings also indicated that that the average interest rate for the sampled insurance companies was 0.07 with a maximum of 0.07 and a minimum of 0.07 which was skewed to the right (skewness = 0.21; Kurtosis = 0.31). The study concluded that there was a positive significant relationship between credit risk control, credit risk control credit disbursement, delinquency management; and financial performance.

Unique Contribution to Theory, Practice and Policy: The study recommends that the listed insurance companies in Kenya can rely on all the study variables (credit risk control, credit risk control, credit disbursement & delinquency management) as reliable credit management procedures to improve their financial performance. The listed insurance companies should continue putting their weight on credit servicing rate, number of foreclosures, existing debt levels, credit period, amount of credit, credit guarantees, credit recovery measures, default rate, rate of recovery, terms of repayment, interest rate, as well as collateral, as there is a high chance of impacting financial performance on a positive trajectory.

Keywords: *Credit Management Procedures, Financial Performance, Insurance Companies, Nairobi Securities Exchange*

INTRODUCTION

Credit management is one of the most crucial operations in any organization and should not be disregarded by any firm that deals with credit, regardless of its industry. Any company should have a credit management policy in place. As per Chen (2018), credit management is an assortment of methodologies and practices utilized by a business to keep a suitable measure of credit and effectively oversee it. Parts of credit the executives incorporate credit investigation, credit score, credit arrangement, and credit announcing. As indicated by Ekinci (2016), credit management is essentially the strategy through which an organization controls its credit deals. There is no such thing as zero credit hazard or default risk, consequently it is an unquestionable requirement for any firm that handles credit exchanges.

A successful credit management strategy uses a continuous, proactive process of identifying risks, evaluating their likelihood of loss, and taking appropriate precautions to avoid the dangers associated with extending credit. Besides, Farooq, Nasir, and Quddoos (2021) accept that the achievement or disappointment of monetary firms, including insurance companies, is significantly impacted by credit management. Credit has an exceptionally high default risk because of its outrageous illiquidity. This recommends that the nature of credit decisions and, thus, the nature of hazardous resources assume an extensive part in the achievement or disappointment of monetary associations, especially protection organizations. Insurance companies are a source of long-term savings which can be used to fund projects that have long maturity periods. Institutional stakeholders such as insurers, pension trusts and sovereign wealth funds have more than USD 80 trillion in assets under management globally that can be deployed to fund long term projects (PwC AWM Research Centre 2017). As such the sustainability of the insurance sector is of paramount significance to any economy. There is a demonstrable link between sustainability and financial performance of firms. Financial performance can be stipulated as a subjective estimate of how effectively an organisation uses assets to earn and accumulate revenues (Gadzo, 2019).

Kenya's economy has benefited greatly from the insurance sector, which has grown significantly over time. Kenya's insurance sector generated KES 195.2 billion in gross written premium in 2016, an increase of 13% from KES 172.5 billion in 2015 (AKI, 2020). Generally speaking, insurance helps the economy. Life insurance is one type of insurance policy that guards the policyholders and their beneficiaries from unforeseen income loss brought on by early death or disability. Property insurance safeguards policyholders from the loss of their personal or commercial property. The holder of liability insurance is shielded from potential legal liabilities (Cornett and Saunders 2018).

As of December 2020, there were 55 registered insurance companies in Kenya (AKI, 2020). On the Nairobi Stock Exchange, six of them are traded (NSE). Among the listed insurance companies are British-American Investments Company, CIC Insurance Group, Liberty Kenya Holdings Limited (previously CFC Insurance), Jubilee Holdings Limited, Kenya Reinsurance Corporation, and Sanlam Kenya Plc (formerly Pan Africa Insurance Holdings) (AKI, 2020). In order to accomplish the financial services objectives specified in Kenya's Strategy 2030 economic vision, the insurance industry—one of the sector's main pillars—must be strengthened. The development of creative solutions to the nation's pressing social, economic, and environmental issues depends on the insurance sector (AKI, 2020).

Notwithstanding the commitment the protection area has made to the Kenyan economy, the National Bank of Kenya's 2020 Monetary Solidness Report shows that the country's protection

infiltration rate is just 2.4%, which is low contrasted with other significant countries (CBK). The low infiltration level, which is underneath the world normal of 7.2 percent, is welcomed on by the way that protection is as yet viewed as an extravagance and is habitually possibly purchased when it is commanded by regulation or is fundamental.

Furthermore, despite IRA's efforts, client complaints about insurance companies continue. Complaints include claims being settled late, claims being underpaid, claims being refused, and insurance products being mis-sold. Some insurance companies have also reported losses, for example, in 2017, the sector's underwriting loss was Kes 2.1 million, Kes 1.02 million in 2017, Kes 2.5 million in 2018, Kes 3.1 million in 2019, and Kes 1.1 million in 2020 (AKI, 2020). The return on assets has also been declining, for example, in 2016 it was 3.6 percent, then 3.2 percent in 2017, 2.3 percent in 2018, 2.3 percent in 2019, and 1.75 percent in 2020. Some of the insurance companies have also collapsed, while some have been put under statutory management due to their inability to honor customer claims (AKI, 2020).

Credit management is a factor that affects a financial institution’s performance internally. The greater the exposure to credit risk, the more likely the business enterprise is to undergo a financial catastrophe (Fali, 2020). Credit evaluation, diversification, credit control, and effective people training are all critical parts of credit management. Credit risk management was thrust into the regulatory limelight as a result of the global financial crisis and the subsequent credit crunch. Regulators began to demand more transparency as a result (Kule, 2020). They wanted to discover if a bank has a good understanding of its customers and the credit risk they pose. A credit crunch, also known as a credit squeeze, credit tightening, or credit crisis, is an economic situation in which financial institutions limit lending activity or tighten lending conditions, making loans less available.

Credit risk evaluation is the process through which a creditor evaluates a customer's creditworthiness. Character, collateral capability, and capacity are all factors in credit appraisal procedures (Wani, 2015). The appraisal considers a variety of variables such as the applicants' income, the number of dependents, monthly expenses, repayment capacity, employment history, years of service, and other aspects that affect the borrower's credit rating (Adzo, 2019). A vital necessity for compelling credit organization is the ability to deal with client credit lines reasonably and really by examining shopper strength, FICO rating history, and moving installment designs.

The efficiency of credit management is a key factor in the profitability of lending organizations because defaulting on these loans exposes the financial institution to significant credit risk (Chen, 2018). Simotwo and Nyang'au (2018) defined loan appraisal as the evaluation of a variety of risks that could have an impact on a credit facility's ability to be repaid. Depending on the objective and scope of the credit facility, the review procedure may be straightforward or intricate. For minor personal credit facilities, a credit rating based on income, way of life, and current liabilities might be adequate. However, for project financing, the procedure also involves a timeline and the capability to implement, as well as technical, commercial, marketing, financial, and managerial evaluations (Wang, 2020). The credit risk appraisal involves measures employed by creditors to avoid or minimize the adverse effect of credit risk.

The chance of a borrower defaulting on a loan due to missed payments is referred to as credit risk. According to Chen (2018), credit risk is the possibility of suffering a loss as a result of a debtor's default. The three subgroups of risks that make up credit risk are exposure risk, recovery risk, and default risk. Credit institutions like insurance firms and banks use credit risk

control as a way to make sure that credit is only granted to people who can pay and that payments are made on time (Ekinci, 2016). Institutional interests, customs, and ideologies that guide lending and credit decisions are more important than ever in lending organizations (Isanzu, 2017). Given the financial sector's complexity and breadth, it's important to remember that credit risk management encompasses all aspects of credit quality, credit extension, and repeated cyclical patterns and sequences. Furthermore, as it leads all credit and ending decisions, a disciplined and robust credit risk control is the foundation of credit risk management (Jabbour, 2016).

Jabbour (2016) claims that loan bosses' eagerness to face challenges has a great many ramifications for the foundation's monetary exhibition and security, and that a credit business' capacity to identify, make due, and forestall future credit gambles to cover the gamble's misfortunes is basic. Beside that, there is an impact on the expansion in the proportion of deficient credits in a credit foundation's portfolio, as well as a diminishing in the amount of benefits procured by the credit business. For instance, as indicated by Isanzu (2017), present information from banks which have gone through liquidity show a reasonable image of how unfortunate assortment of credits and different advances from the clients and supervisors or even chiefs was one of the variables adding to the bank's development rate. The expense of obligation and value is constantly raised by the gamble on layaway. This influences the worth of assets in the credit firm by expanding it.

Delinquency occurs when a client's financial obligation is past due. Negative information on a credit report can lower credit scores and restrict a person's ability to borrow money in the future (Njanike, 2019). Wani (2015) claims that loan insurance, client evaluation, collateralized lending, reminder letters to debtors, credit monitoring, reasonable credit terms, and realistic credit limits are all delinquency management strategies employed by financial institutions including insurance firms. Munangi (2020) underlined this as well, that demand letters, phone calls, and in-person reminders from personnel of the credit institution to pay the legal enforcements are some of the delinquency management tactics employed by credit organizations like insurance businesses.

According to Adzo (2019), delinquency management is a system that guarantees prompt payment and consistent collections. The reasoning is that not all clients fulfill their responsibilities; some take it for granted, others forget, and still others lack a culture of paying unless they are encouraged to do so. Many credit institutions, according to Adzo, may send a letter or make phone calls to such individuals (borrowers) when planned repayment days pass, and if payment is not received within thirty days, the account may be turned over to a collection agency. Haddad and Bouri (2019) stressed the importance of delinquency management because some clients do not repay the credit facility on time, while others pay late or never. As a result, collection policies try to speed up collections from late payers in order to reduce credit risk. Speedy installments are intended to upgrade turnover while limiting terrible obligations (Baral, 2015).

A payment or disbursement made by the issuing credit company in accordance with credit terms and conditions is referred to as a credit disbursement (Ahmed, 2017). The credit company should operate as a client incentive by improving loan conditions without significantly raising credit risk or bad debt levels. Credit disbursement often include information about the credit period, interest rate, how interest is calculated, and how frequently payments are due under the credit arrangement (Timme, 2019). Discounts are provided to encourage consumers to make

their payments on time or, if a credit facility has been requested, before the credit period expires. Ordinarily, this markdown is given as a level of the accessible credit. Limits are expected to hurry early assortment to lessen the volume of questioned obligations and related costs.

Profitability is a measure of a credit institution's financial performance. The ability of a corporation to make a decent profit on its investment is referred to as profitability (Coyle, 2017). Profitability ratios demonstrate a company's overall efficiency and success. Most businesses exist to make money. Profitability ratios are broken down into components like profit margin and returns. At various levels of measurement, margin ratios demonstrate the firm's ability to convert sales into profits. Returns ratios demonstrate a company's capacity to gauge its overall efficiency in creating profits for its owners (Pervin, 2015). The most famous benefit estimations are return on value, profit from venture proportions, and net revenue on deals. (Overall gain/Absolute Resources) * 100 is the recipe for return on resource (ROA).

As per a concentrate by Muathe (2020), in light of the fact that benefit is associated with the board execution, it is generally utilized as a check of credit examination in monetary organizations. Return on Resource (ROA) and Return on Value are the most frequently used proportions (ROE). The quality level of ROE is between 15% and 30%, while ROA is at least one percent Profitability is the most significant indicator of a company's performance, including in the credit industry (Tanyeh, 2018).

Return on Resources, a presentation metric, dissects a credit company's ability to deliver pay in view of its resources. Gifts and non-working pay are excluded from the proportion. Contrasted with different measurements, ROA offers a more extensive viewpoint since it goes past the essential capability of credit organizations, which is to broaden credit, and tracks pay from working exercises, including speculation. It likewise assesses productivity no matter what the financing technique utilized by loan bosses (Njanike, 2019). In request to show the net revenue of the leasers, ROA is supposed to be positive; if not, it will reflect non-benefit or deficit. As per Munangi (2020), the most famous measurements for estimating benefit in insurance agency and other monetary foundations are Return on Value (ROE), which estimates the profits created for partners, and Return on Resources (ROA), which shows the way that really an association can use its assets.

Statement of the Problem

Even though the insurance sector in Kenya contributes significantly to economic growth, its return on assets (ROA) has been dropping in recent years (Kijjambu, 2020). The insurance industry produced a ROA of 1.3 percent on average in 2020, down from 3.3 percent in 2019. Additionally, between 2020 and 2021, the average ROA fell from 1.3 percent to 0.6 percent, a decrease of 0.7. Due to the substantial growth in loss ratios, this has led to poor tax collection, bad payouts for shareholders, and significant employment losses in the insurance industry (IRA, 2021). Therefore, if the financial performance issue is not addressed right away, it could lead to further losses and make the insurance sector's already bad financial performance much worse. To resolve this problem, the insurance industry should develop efficient credit management procedures that would aid in the industry's return to profitability (IRA, 2020; Fali, Nyor & Mustapha, 2020).

Additionally, the study was driven by knowledge gaps found in past studies on the topic. For example, Ekrezi (2018) utilized an Albanian contextual investigation to inspect the factors influencing an insurance agency's monetary presentation. The discoveries show a negative and

huge connection between credit management and return on Asset (ROA). The review's accentuation on influence, hazard, and substantial quality missed the effect of credit management, which was its primary concentration. The effect of monetary gamble on the monetary execution of Nigerian recorded protection organizations from 2009 to 2018 was inspected by Fali, Nyor, and Mustapha (2020).Credit gamble significantly affects monetary execution, the review finds.

Notwithstanding, the concentrate just checked out at the effect of monetary gamble and overlooked the effect of credit management. Chipa and Wamiori saw what risk management meant for the monetary exhibition of insurance agency (2017). According to the study, risk management significantly affects how profitable insurance companies are in Kenya. Kibet (2016) looked into how credit management affected bank financial performance in Kenya.

The findings, however, cannot be generalized to the insurance sector because the study was carried out in a different environment. There hasn't been a lot of examination done in Kenya so far on the connection between credit management and the monetary progress of recorded protection associations. The evaluation of the writing on layaway management and monetary execution centers around risk management with business banks as opposed to credit management strategies like credit examination, credit risk control, wrongdoing management, and payment. It's crucial to approach credit management from a wider angle. Due to the impact of these gaps, the study will evaluate how credit management affects the financial performance of insurance companies listed on the Nairobi Securities Exchange (NSE).

Theoretical Review

Credit Scoring Theory

The theory was pioneered by a mathematician Earl Isaac and engineer Bill Fair in 1956 (Fair & Isaac, 1956). The theory assumes that people who default on their loans experience a decline in their scores and, therefore, lose access to credit on favorable terms (Coyle, 2017). The framework used by credit institutions to grant credit to customers includes the credit score idea. For corporate and commercial clients, credit scoring models frequently include qualitative and quantitative sections that detail various risk components, such as operating experience, management expertise, asset quality, leverage and liquidity ratios, and so forth (Agarwal, 2018).

The credit institution offers credit in accordance with the terms and conditions of the contract after credit officers and credit committees have carefully examined this material. This idea states that a complete risk analysis should always come before making any credit decisions, with the findings acting as a guide for the credit decision (Coyle, 2017). Any probability calculation based on historical data can be believed because there is a significant correlation between credit ratings and default rates. The model may comprise a minimum of six grades for performing assets and two grades for nonperforming assets. There shouldn't be more than 30% of advances bundled together under one rating in the asset distribution (Binks, 2016).

This theory is pertinent to the study since it is based on the study's primary purpose and it focuses on how credit risk is assessed and managed in various businesses, in this instance insurance companies. Customers of insurance firms who fail to pay their premiums could face liquidity issues, which could have an impact on their financial performance. Therefore, it is crucial that these businesses make sure they have effective credit risk management procedures in place. The theory will be used to support credit appraisal and disbursement variables.

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Conceptual Framework

The interaction between the study's independent and dependent variables is depicted in a conceptual framework. It serves as a road map for empirical research, ensuring that it is coherent (Miles & Huberman, 2016). The conceptual framework for this study is based on a relational model, in which the four independent variables of credit evaluation, credit risk control, delinquency management, and credit disbursement influence insurance firms' financial performance (dependent variable). The diagrammatic depiction of the relationship between the variables is shown in Figure 1:

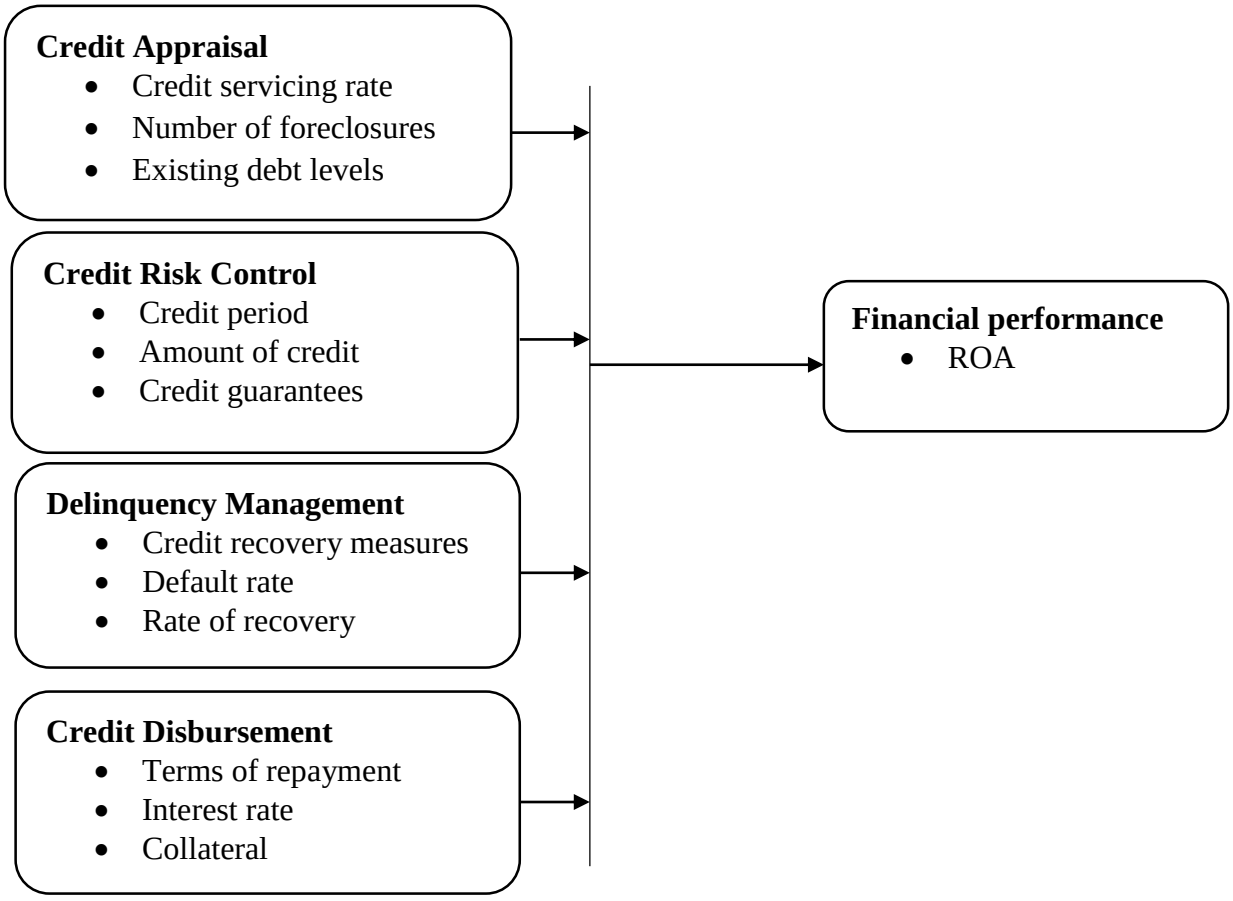

Figure 1: Conceptual Framework

Source: Author (2022)

Empirical Review

Farooq (2021) led a quantitative report in Meru Province, Kenya, to decide the effect of the credit risk management framework on monetary execution in the protection market. Through surveys, information from credit officials at insurance agency was assembled. As indicated by the review, client assessment expanded credit the board's productivity. The study considered the borrower's reputation, condition, ability, cash flow statements, payment history, and business size while evaluating clients. Njeru (2017) undertook a descriptive study on factors causing credit delinquency in microinsurance Institutions in Kenya. Utilizing questionnaires, a

survey research approach was used. 49 MIIs where the census was conducted provided the raw data.

The study discovered a favorable and significant correlation between credit delinquency and the credit management of microinsurance organizations. In a related study, Wang (2020) investigated the financial performance of Korean banks as depicted in their financial statements and offered suggestions to enhance their credit management. Eight Korean banks' financial performance during the previous five years was compared to that of Californian banks in the study. The review found a connection between credit evaluation and microinsurance ventures' monetary exhibition. As per the similar monetary exploration, Korean banks were somewhat wary when it came to credit the board. The credit nature of the Korean MII was in like manner viewed as low, and their credit market had all the earmarks of being soaked, as per the evaluations. Credit examination measures ought to be fixed, as per the report.

Wanja and Jagongo (2017) directed a clear examination on the relationship between credit strategy and business bank monetary execution in Kenya. Credit officials from 43 business banks were given surveys. The course of drop and pick was applied. The review found that loaning strategy gainfully affected business banks' monetary presentation. Credit data was found to fundamentally affect a bank's seriousness, and most business banks depend vigorously on the borrower's record. Monetary foundations ought to take on layaway approaches that further develop credit management adequacy, as per the report. Banks ought to likewise survey their credit examination to be in a situation to assess credit worth clients subsequently diminishing the number NPL (nonperforming credits).

Olabamiji and Michael (2018) utilized information from the Principal Bank of Nigeria to lead a contextual investigation to more readily comprehend what credit the executives strategies mean for monetary execution. Intentional inspecting was utilized to gather the information. Enlightening and inferential insights were utilized to examine the information. The investigation discovered that credit risk the board fundamentally works on the exhibition of monetary foundations. The review found that credit the executives, client evaluation, and assortment procedure essentially affect a monetary establishment's monetary exhibition. An illustrative concentrate on the connection between the monetary achievement and credit risk the board of the protection organizations in Nepal was completed by Gnawali (2018).The concentrate likewise found that profit from value was adversely related with the extent of non-performing obligation to the aggregate sum of credit and advances made by protection establishments, which brought about a decrease in a company's monetary execution.

Swamy (2019) compared the key factors of credit risk in emerging economy banking systems to established economy banking systems. According to the report, banking organizations that provide a variety of services and products must be regulated. Credit control is crucial in the circumstances of credit dominant financial institutions in emerging countries, according to the study. Increased credit loss provision was also seen to be a factor influencing credit risk. The findings of the study also found that credit risk in emerging-market banks is higher than in developed-market banks.

Hosna et al. (2019) directed a period series research using a loan risk management and productivity in business banks in Sweden. Panel information was removed from the last records of banks tested for the review for the period between 2010 to 2018 and capital ampleness and credit management reports (2017-2018). An example size of four business banks in Sweden was examined. Relapse model was utilized to do the exact examination. The review laid out a

positive connection between credit risk control and productivity on the four business banks in Sweden during 2010 to 2018.

Kwamega (2016) conducted a descriptive research to assess the effect of delinquency management practices and credit performance using some selected microfinance institutions in the Greater Accra region of Ghana as a case study. The research used qualitative and quantitative methods. Data was collected from 400 Microfinance companies using administered questionnaires. The study population comprised of management and non-management staff of the selected Microfinance companies. The review figured out that there was a high certain connection between's misconduct management and monetary execution of the monetary area.

Wambugu (2017) led a correlational report to take a gander at the effect of delinquency management strategies and credit assortment methods on the monetary execution of Kenyan insurance agency. Elucidating, connection, and relapse examinations were done. A survey was utilized to accumulate data. The review found that acknowledge strategies, for example, subcontracting obligation assortment to outsiders and implementation measures had a positive relationship with obligation levels, though proactive obligation assortment procedures had a negative connection. Chepkoech (2016) examined credit risk the board practices and Microfinance establishments' monetary execution in Nairobi County, Kenya. Target populace of the review was every one of the 261 workers attracted from chosen Microfinance Institutions Nairobi County. The review took on a different relapse examination. The survey spread out that credit combination techniques influence the money related show of MFIs in Nairobi Province.

Kithinji (2018) drove a meta-assessment to produce a gander at the results of credit risk management on the efficiency of business banks recorded on the Nairobi Protections Trade. From 2014 to 2018, information on business bank productivity and non-performing advance offices was gathered. Credit assortment procedures, as indicated by the review, decidedly affect business banks' monetary exhibition. Quite, the review didn't consider bank loan costs and their capability to direct the connection between credit assortment strategies and execution in Kenyan business banks. Korir (2019) drove a cross sectional focus on the impact of credit risk management practices on the money related execution of Store Taking Microfinance associations in Kenya. The discoveries of the review showed that credit strategies have a critical positive relationship with monetary execution of monetary foundations. The review laid out that credit approaches are embraced by monetary foundations in Kenya to moderate against the credit gambles with which they are presented to.

Njiwakale (2018) directed a quantitative report to examine the impact of credit dispensing measures on the monetary execution of business banks. The study's objectives included examining the connections between credit disbursement strategies, available credit, credit information, and the duration of a customer's credit relationship with a financial institution, as well as those between credit processing procedures and performance. A descriptive research methodology was used to conduct the study. The study surveyed each of the 43 commercial banks with their main offices in Nairobi County. The researchers employed semi-structured questionnaires to gather information from the respondents. Both primary and secondary sources were used to collect the data. The study's findings revealed that the kind of credit disbursement strategies had a significant impact on bank competitiveness. Furthermore, credit

history of the borrower and borrower's personal behavior had an influence on volumes of the credit procured by the banks.

A contextual investigation by Olutunla (2018) tried to evaluate the connection between credit disbursement practices and the monetary exhibition of microinsurance foundations in Tanzania with specific reference to The Heritage Insurance Company Tanzania Limited. In the review, auxiliary information for the years 2014 to 2018 was acquired from the organization's yearly reports. As a proportion of monetary execution, investigations of backward, unmistakable and relationships were utilized to create monetary proportions. The review figured out that there was substantial impact on benefits in protection firms in Tanzania due from terms of credits.

Funso (2018) looked to lay out the impact of advance terms, capital organizing, and risk using a loan, benefit level, and loaning choices in Ghanaian banks in an observational examination of the components driving credit risk the board for emerging countries in contrast with created nations. The scientists utilized an information relapse board and found that Ghanian banks' credit risk openness was one percent, with the greater part (86%) of the bank's resources being funded through getting. The typical loaning rate was 28%. The review found that advance terms had all the earmarks of being well related to credit chance and productivity, yet that the size of a bank's loaning rate and fluid resource with capital construction had a negative affiliation.

Research Gaps

In the insurance industry, credit management procedures and financial performance have received little attention. The majority of the studies examined, particularly in the insurance industry, did not include credit evaluation, credit risk control, delinquency management, or credit disbursement in their research. Another flaw is a one-dimensional credit management method. Previous research has primarily concentrated on one or two of the aforementioned criteria, rather not all four, as this study intends to accomplish.

The main review that even verges on communicating the desperation of the ongoing review is Chege's (2014) concentrate on using a credit card risk management rehearses and monetary execution of business banks in Kenya. In addition, very few studies have specifically addressed credit risk control, which is what the current study aims to do. There is a contextual gap as well, as shown by the analysis that came before it. The few studies that have examined the insurance industry, like Kolapo et al. (2019) and Olutunla (2018), have more of an emphasis on international rather than regional issues. The aim of this study is to fill in the gaps.

METHODOLOGY

The study adopted a descriptive research design. All of the insurance businesses listed on the Nairobi Securities Exchange are the subject of this study (NSE). Six (6) insurance companies were listed as of March 2020. The company's financial reports, IRA annual reports, CBK annual supervisory reports, and NSE performance reports will be the primary sources of the secondary data utilised. The financial statements for the six specified insurance businesses for the research period of 2017–2021 will be downloaded by the researcher. The insurance companies' return on assets, CRB records, the number of cheques that bounced, default records, was used in the data collection. The Statistical Package for the Social Sciences (SPSS) version 24 was used for data analysis. Data will be presented via tables, figures, and graphs.

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FINDINGS

Descriptive Statistics

Credit Appraisal

In this section, the study analyzed the trends of Credit Appraisal that is to say; credit servicing rate; number of foreclosures as well as existing debt levels among the listed insurance companies during the study period 2017-2021. Table 1 presents the overall trend over the study period.

Table 1: Credit Appraisal over the Period 2017-2021

Indicator	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Credit servicing rate (%)	5	.4800	1.1200	.800000	.2529822	.001	-1.200
Number of foreclosures	5	0	48	19.20	20.861	.541	-1.488
Existing debt levels	5	913780272	1190052656	1034492636.80	122969057.892	.566	-2.624
Valid N (listwise)	5						

The results demonstrated that the averages of credit servicing rate for the sampled insurance companies was 0.8 or 80% with a minimum of 0.48 or 48% over the study period skewed to the right (skewness =0.001; Kurtosis = -1.200). This could suggest that the listed insurance companies in Kenya have prioritised loan servicing to enhance the financial performance. It could also mean that the sampled insurance companies have increased scrutiny on the practice of securitization and the transfer of loan servicing obligations. The standard deviation was 0.252 which indicated small variation in the credit servicing rates among the listed insurance companies. This could imply that credit servicing rate in the businesses took a central stage in credit appraisal.

The findings also show that the average number of foreclosures among the sampled insurance companies (mean=19.20) with a maximum of 48 foreclosures which is skewed to the right (skewness = 0.541; Kurtosis = -1.488). This could mean that recovery of the balances of debts by the listed insurance companies from the borrowers was very key to the sampled businesses to influence financial performance over the study period. The standard deviation was 20.861 which indicated relatively small variation in the average number of foreclosures. Further findings showed that the average existing debt levels was 1,034,492,636.80 with a maximum of 1,190,052,656 and minimum of 913,780,272 skewed to the right (skewness= 0.566; Kurtosis = -2.624). The standard deviation was 122,969,057.892 which indicated small variation in the number of foreclosures among the sampled insurance companies.

The findings in Table 1 support Kamiya (2016) who noted that variables such as credit servicing rate; number of foreclosures as well as existing debt levels influence the borrower's creditworthiness. Similarly, according to Farooq (2021), lenders consider industry-specific risks, such as credit servicing rate; number of foreclosures and existing debt levels while evaluating credit risks.

Credit Risk Control

The study looked at the trend of insurance companies' Credit Risk Control that is to say; Credit Period (Days), Amount of Credit (Million Kshs) and Credit Guarantees between 2017 and 2021 in this section. The study's findings are summarized in Table 2.

Table 2: Credit Risk Control over the Period 2017-2021

Indicator	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Credit Period (Days)	5	30	30	30.00	0.230	-0.411	-2.413
Amount of Credit (Million Kshs)	5	1209006	1954380	1573453.20	338629.63	-0.219	-2.716
Credit Guarantees (%)	5	0.05	0.05	0.0500	0.03600	-0.381	-2.512
Valid N (listwise)	5						

Based on the results in Table 2, the study demonstrated that the average credit period was 30 days skewed to the left (skewness= -0.411; Kurtosis = -2.413) with a maximum and minimum of 30 respectively over the study. The standard deviation was 0.230 which indicated small variations in the Credit Period. This could mean that the success of credit risk control measures was informed by credit period. The findings also shows that the average amount of credit for the sampled insurance companies was Kshs 1,573,453.20 with a maximum of Kshs 1,954,380 and a minimum of Kshs 1,209,006 which was skewed to the left (skewness = -0.219; Kurtosis = -2.716). This could suggest that amount of credit to a greater extent informed credit risk control across the listed insurance companies over the study period. The standard deviation was 338629.63 which indicated small variation in amount of credit. Further findings showed that the average credit guarantees was 0.0500 skewed to the left (skewness =-0.381; Kurtsosi=-2.512) with a maximum and minimum of 0.05 respectively. The standard deviation was 0.00600 which indicated small variation in the credit guarantees. This could mean that credit guarantees defined credit risk control across the listed insurance companies over the study period (2-17-2021).

The findings are consistent with Kule (2020) that, when credit organizations effectively deal with their credit risk, they help security and deliberate designation of capital in an economy, as well as upgrading the suitability and benefits of their own speculations and organizations. This is on the grounds that quality of guarantees is seen as an intermediary for performing tasks and the monetary soundness of lenders (Rop, 2016).

Delinquency Management

Further, the study looked into the trend of the sampled insurance companies' Delinquency Management (Credit Recovery Measures, Default Rate & Rate of Recovery) over the study time (2017-2021). The study's findings are summarized in Table 3.

Table 3: Delinquency Management over the Period 2017-2021

Indicator	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Credit Recovery Measures	5	0.00	0.30	0.1720	0.13755	-0.365	-2.517
Default Rate (%)	5	0.0050	0.0133	0.009333	0.0032489	-0.081	-0.817
Rate of Recovery (%)	5	0.0035	0.0165	0.011700	0.0054088	0.886	0.171
Valid N (listwise)	5						

The findings in Table 3 shows that the average credit recovery measures was 0.172 skewed to the left (skewness= -0.365; Kurtosis = -2.517) with a maximum of 0.30 respectively over the study. The standard deviation was 0.137 which indicated small variations in the credit recovery measures. This could imply that credit recovery measures was applied effectively across the listed insurance companies and that the success of delinquency management was informed by

credit recovery measures. The findings also shows that the average rate of recovery for the sampled insurance companies was 0.0117 with a maximum of 0.0165 and a minimum of 0.0035 which was skewed to the right (skewness = 0.886; Kurtosis = 0.171). This could mean that the listed insurance companies did relatively well in rate of recovery. The results could also mean that to a greater extent the rate of recovery took a central stage in delinquency management across all the listed insurance companies over the study period. The standard deviation was 0.005 which indicated small variation in rate of recovery.

The findings are consistent with Haddad and Bouri (2019) who stressed the importance of delinquency management because some clients do not repay the credit facility on time, while others pay late or never. As a result, recovery policies try to speed up collections from late payers in order to reduce credit risk. Speedy instalments are intended to upgrade turnover while limiting terrible obligations (Baral, 2015). However, certain research, such as Byusa, Nkusi, and Kithinji (2018), have opposing viewpoints, particularly on delinquency management and credit disbursement, implying that strict credit measures reduce interest rates due to limited credit demand.

Credit Disbursement

In this section, the study looked into the trend of the sampled insurance companies' Credit Disbursement (Terms of Repayment, Interest Rate, Collateral (Million Kshs) over the study time (2017-2021). The study's findings are summarized in Table 4.

Table 4: Credit Disbursement over the Period 2017-2021

Indicator	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Terms of Repayment (Days)	5	30	30	30.00	0.011	0.113	0.04
Interest Rate (%)	5	0.0700	0.0700	0.070000	0.0543	0.21	0.31
Collateral (Million Kshs)	5	263530452	542741694	392610190.8	103300515	0.463	0.677
Valid N (listwise)	5						

Table 4 shows that the average terms of repayment was 30 days as minimum (30) and maximum (30) skewed to the right (skewness= 0.113; Kurtosis = 0.04). The standard deviation was 0.011 which indicated small variations in the terms of repayment. This could mean that terms of repayment was very key in credit disbursement across the listed insurance companies and that the success of credit disbursement and financial performance was in a bigger way informed by terms of repayment. The findings also shows that the average interest rate for the sampled insurance companies was 0.07 with a maximum of 0.07 and a minimum of 0.07 which was skewed to the right (skewness = 0.21; Kurtosis = 0.31). This could suggest that the interest rates in the industry is standard and that credit disbursement took cognisance of the fact that interest rate may boost or break the financial performance of the listed insurance companies. The results also showed that the average collateral for the listed insurance companies was Kshs. 392610190.8 with a maximum of Kshs. 542741694 and minimum of Kshs. 263530452 skewed to the right (skewness= 0.463; Kurtosis= 0.677) The standard deviation was 103300515 which indicated small variation in collateral.

The findings are consistent with Binks (2016) who opined that in the capital market, an administration upheld monetary bailout loaning organization could empower unsafe loaning from now on assuming individuals who face challenges comprehend that they won't bear the whole gamble trouble. Credit establishments can make unsafe credit offices that will pay

liberally assuming speculation end up great however will be bailout by the citizens assuming that the venture turn out gravely.

Financial Performance

The financial performance trends of the listed insurance companies are presented in this section from 2017 to 2021. Return on Assets was used as a metric for evaluating financial performance. Table 5 depicts the trends in ROA.

Table 5: Summary ROA over the Period 2017-2021

	ROA								
YEAR							**Max**	**Min**	**Average**
2017	0.36	0.11	0.41	0.16	0.22	0.41	0.41	0.11	0.278333
2018	0.24	0.28	0.24	0.61	0.63	0.22	0.63	0.22	0.37
2019	0.24	0.34	0.11	0.1	0.44	0.51	0.51	0.1	0.29
2020	0.24	0.66	0.27	0.24	0.06	0.09	0.66	0.06	0.26
2021	0.24	0.77	0.33	0.09	0.21	0.05	0.77	0.05	0.281667

The findings reveal a significant rise in the average ROA from 0.278 to 0.37 of the listed insurance companies between 2017 and 2018. Looking at the results keenly, in terms of ROA, the year 2020 had the lowest performance (0.26), while the year 2018 had the highest performance (0.37), before depreciating to 29 percent in 2019. The average performance dropped from 29 percent in 2019 to 26 percent in 2020. The results could suggest that credit management procedures embraced by the listed insurance companies to a relatively greater extent influenced financial performance within the sector in the study period. The findings are supported by Warue (2017), Korir (2019), Kithinji (2018), Kwamega (2016), and Kuria (2019), who found that credit management strategies significantly affect monetary execution. The findings are also consistent with CBK report (2019) which showed that in the year 2020, the Kenyan insurance sector performance dropped tremendously as the sector suffered from economic storm that was witnessed during and post Covid-19 pandemic in 2020-2022.

Inferential Statistics

Correlation Coefficients

Correlation analysis was used to examine the strength of the relationship. This was done by analyzing the means of variables x and y to determine how Pearson's (r) varies between +1 and -1; where +1 is a perfect positive correlation, and -1 is a perfect negative correlation. 0 means there is no linear correlation at all while the p-value will give evidence of a statistically significant relationship between the variables. If a p-value was less than 0.05, then there is evidence of a statistically significant association between the variables and vice versa. Chi square test was used to check whether to accept or reject the null hypotheses.

Table 6: Correlations Analysis of Short-Term Interest Rates, Liquidity Premiums, Economic Cycles and Long-Term Interest Rates

		Credit Appraisal	Credit risk Control	Delinquency Management	Credit Disbursement	Financial performance
Credit Appraisal	Pearson Correlation	1	.996**	-.428	-.579	.224
	Sig. (2-tailed)		.000	.397	.228	.009
	N	6	6	6	6	6
Credit risk Control	Pearson Correlation	.996**	1	-.511	-.500	.278
	Sig. (2-tailed)	.000		.300	.312	.004
	N	6	6	6	6	6
Delinquency Management	Pearson Correlation	-.428	-.511	1	-.489	-.622
	Sig. (2-tailed)	.397	.300		.325	.008
	N	6	6	6	6	6
Credit Disbursement	Pearson Correlation	-.579	-.500	-.489	1	.344
	Sig. (2-tailed)	.228	.312	.325		.004
	N	6	6	6	6	6
Financial performance	Pearson Correlation	.224	.278	-.622	.344	1
	Sig. (2-tailed)	.669	.594	.188	.504	
	N	6	6	6	6	6

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

The results shown in Table 6 revealed a positive significant relationship between credit risk control and financial performance ($r = 0.224$, $p = 0.009 < 0.05$). This suggest a direct relationship between the two variables – that is to say, financial performance of the listed insurance companies rose with increase in credit risk control. Further, the findings reveal a positive significant relationship between credit risk control and financial performance ($r = 0.278$, $p = 0.044 < 0.05$). The results show that the two variables are moving in the same direction which means that financial performance increased with rise in credit risk control. The relationship was weak and positive statistically significant.

Based on the results in Table 4.6, there was a strong negative significant relationship between delinquency management and financial performance ($r = -0.622$, $p = 0.008 < 0.05$). In other words, the results indicate a direct relationship between the two variables with both variables moving in the opposite direction. This means that financial performance of the listed insurance companies, decreases with increase in delinquency management. The relationship was strong and negative statistically significant.

The findings also shows a positive significant relationship between credit disbursement and financial performance ($r = 0.344$, $p = 0.004 < 0.05$). This suggest a direct relationship between the two variables – that is to say, financial performance of the listed insurance companies, rose with an increase in credit disbursement. The relationship was weak and positive statistically significant.

Multiple Regression Analysis

Multiple regression was used in this study to determine the statistical significance of the relationship between credit appraisal, credit risk control, delinquency management, credit

disbursement and financial performance. The results include the model summary, analysis of variance (ANOVA) and regression coefficients of the four variables. The ANOVA matrix illustrates the overall significance of the model. Therefore, if p value is less than 0.005- it merits rejection of the hypothesis- no significant influence of the predictor variable on the dependant variable (Laub, 2018). Regression coefficient (beta column) shows the relationship between credit appraisal, credit risk control, delinquency management, credit disbursement and financial performance. If the beta coefficient is negative/positive, the interpretation is that for every 1-unit increase/decrease in the predictor variable, the outcome variable will decrease/increase by the beta coefficient value**.**

The following equation represented the regression model:

$$yit = \alpha + \beta_1 X_1 it' + \beta_2 X_2 it' + \beta_3 X_3 it' + \beta_4 X_4 it' + \varepsilon it'$$

Table 7: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.623[a]	0.389	0.91	0.0492255

a. Predictors: (Constant), Credit Disbursement, Delinquency Management

From Table 7, the coefficient of determination (adjusted R Square) was 0.91 at significance 0.005. This implies that 91% of variation in financial performance of the listed insurance companies was explained by credit appraisal, credit risk control, delinquency management and credit disbursement. This means that, a unit change in credit appraisal, credit risk control, delinquency management and credit disbursement resulted to 91% rise in financial performance implying that 9% of the variance in financial performance was explained by other factors.

Further, the results of the regression coefficients shown in Table 7 indicated that R square was 0.389 which demonstrates a substantial positive correlation of 38.9 percent between credit appraisal, credit risk control, delinquency management, credit disbursement and financial performance.

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.005	2	.002	.953	.0418[b]
	Residual	.007	3	.002		
	Total	**.012**	**5**			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Credit Disbursement, Delinquency Management

The analysis of variance test was used to evaluate how well the entire regression model fits the data as predictor of economic growth. The result as shown in Table 8 revealed that, at a significance threshold of 0.0418, the F (2, 5) = 0.953 and p value < 0.0418 was significant. The result demonstrates a statistically significant relationship between credit appraisal, credit risk control, delinquency management, credit disbursement and financial performance. This is due to the significance value being less than 0.05 (p = 0.0418).

In Table 8, the whole Regression model was displayed as follows:

$y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it}$

Table 9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0.259	0.032		7.928	0.003	0.912	0.446
	Credit Appraisal	0.311	0.323	0.375	1.207	0.242	1.331	0.025
	Credit Risk Control	0.067	0.279	0.131	0.130	0.897	0.371	0.753
	Delinquency Management	0.129	0.154	0.341	1.151	0.333	1.371	0.815
	Credit Disbursement	1.27	0.000	0.113	0.102	0.925	0.000	0.000

a. Dependent Variable: Financial performance

Y = 0.259+ 0.311 (Credit Appraisal) + 0.067 (Credit Risk Control) + 0.129 (Delinquency Management) + 0.032.

The regression coefficients illustrated in Table 9 above revealed that credit appraisal β= 0.375 or 37.5%, P value = 0.05. This implies that a unit change in credit appraisal led to a rise in financial performance of the listed insurance companies by 37.5% when other variables are controlled. The results show that T-test value of 1.207 was greater than 0.05 meaning the relationship was statistically significant.

Further, the regression coefficients illustrated in Table 9 showed that Credit Risk Control β= 0.131, or 13.1%, P value = 0.05. This implied that a unit change in Credit Risk Control led to a rise in financial performance of the listed insurance companies by 13.1% when other variables were controlled. The T- test value was 0.130 greater than 0.05 meaning the relationship was statistically significant.

Further, the regression coefficients shows that Delinquency Management β= 0.341, or 34.1%, P value = 0.05. This implies that a unit change in Delinquency Management led to increase in financial performance of the listed insurance companies by 34.1% when other variables are controlled. The T- test value was 1.151 greater than 0.05 meaning the relationship was statistically significant.

Finally, the regression coefficients shows that Credit Disbursement β= 0.113, or 11.3%, P value = 0.05. This implies that a unit change in Credit Disbursement led to increase in financial performance of the listed insurance companies by 11.3% when other variables are controlled. The T- test value was 0.102 greater than 0.05 meaning the relationship was statistically significant.

Table 10: Correlation Matrix

		Credit appraisal	Credit risk control	Delinquency management	Credit disbursement	Financial performance
Correlation	Credit appraisal	1.000	0.356	-0.646	-0.210	0.561
	Credit risk control	0.356	1.000	-0.411	-0.077	0.185
	Delinquency management	-0.646	-0.411	1.000	0.579	-0.334
	Credit disbursement	-0.210	-0.077	0.579	1.000	-0.733
	Financial performance	0.561	0.185	-0.334	-0.733	1.000

This is affirmed by the Table 10 below, which shows a KMO worth of 0.188 and an importance level for the Bartlett's test 0.014 < 0.05 which recommend there is significant correlation in the

information.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Overall, the findings concluded that average Credit appraisal, credit risk control, delinquency management and credit disbursement were all trending in different directions. The correlation results revealed a positive significant relationship between credit risk control, credit risk control credit disbursement; and financial performance. There was however a strong negative significant relationship between delinquency management and financial performance.

Based on the hypotheses results, the study concluded that there was significant relationship between credit appraisal, credit risk control, delinquency management, credit disbursement; and financial performance of insurance companies listed on the NSE. Based on the regression output, the findings concluded that a unit change in credit appraisal, credit risk control, delinquency management and credit disbursement resulted to 91% rise in financial performance implying that only 9% of the variance in financial performance was explained by other factors. Further, it was concluded that there was a substantial positive correlation of 38.9 percent between credit appraisal, credit risk control, delinquency management, credit disbursement and financial performance.

Recommendations

The study discovered that credit risk control, credit risk control credit disbursement; had a positive significant impact on financial performance of the listed insurance companies from 2017 to 2021. As a result, the study suggests that the listed insurance companies in Kenya can rely on variables like credit risk control, credit risk control and credit disbursement as reliable credit management procedures to improve their financial performance. According to the findings, all the variables had a positive relationship with financial performance. As a result, the listed insurance companies should sustain the focus on credit servicing rate, number of foreclosures, existing debt levels, credit period, amount of credit, credit guarantees, credit recovery measures, default rate, rate of recovery, terms of repayment, interest rate, as well as collateral, as there is a high chance of impacting financial performance on a positive trajectory.

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