Abstract

The objective of the study was to analyze the effect of capital structure on financial performance of the insurance companies listed in Nairobi Security Exchange. In order to arrive at the results of the objectives, we hypothesized that there is no decisive role of the capital structure strategy adopted in the financial performance in insurance companies listed in Nairobi Securities Exchange. The study adopted casual research design taking panel data spanning ten years were used for the analysis in the current study a time series data were collected. This study consisted of 6 insurance companies listed on the Nairobi Securities Exchange (NSE). The data of the insurance companies were collected from annual reports, in which the individual was the company and the period was annual data, and our study was balanced as all the entities were observed for an equal period from 2011 to 2020 and all the firms remained listed throughout the period 2011–2021. The results from the panel data revealed that there was significant positive relationship between growth opportunity, Total Debt to Total Asset Ratio and differed Income Tax payable and financial performance in insurance companies listed in Nairobi Securities Exchange. On the other hand the study established significant negative relationship between debt to equity ratio and financial performance in insurance companies listed in Nairobi Securities Exchange. Lastly, the study established that although bivariate regression results on the relationship between each of the capital structure and financial performance of the insurance companies listed in Nairobi Security Exchange was significant, when the 4 capital structure strategies were combined in multivariate regression, leveraging of debts and assets did not have effect significant effect on financial performance of the insurance companies listed in Nairobi Security Exchange measured in terms of ROA.