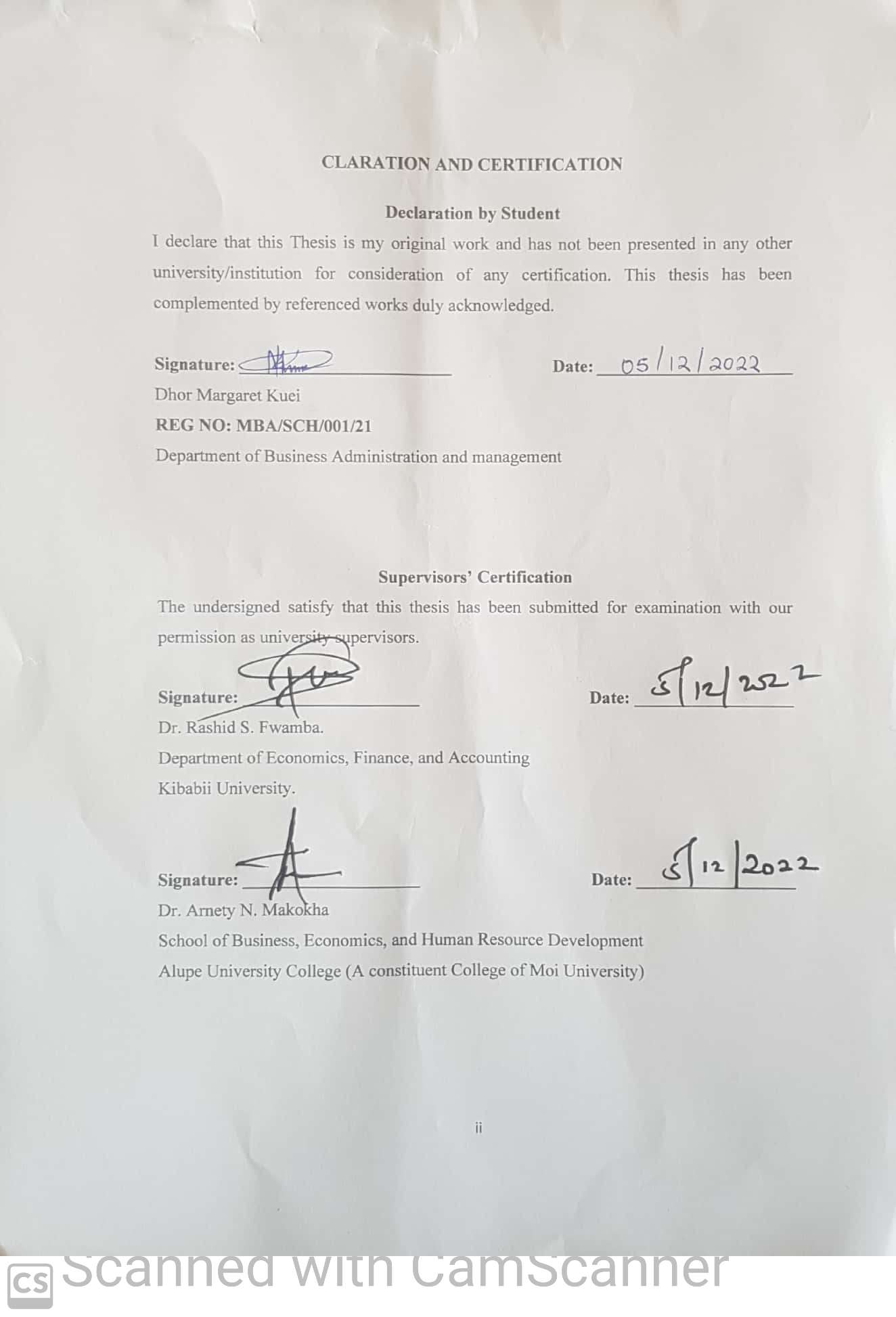
**INVESTMENT PRACTICES AND FINANCIAL PERFORMANCE OF INSURANCE FIRMS IN JUBA COUNTY, SOUTH SUDAN**

**DHOR MARGARET KUEI**

**MBA/SCH/001/21**

**Thesis Submitted to the School of Graduate Studies in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (Option Finance) of Kibabii University**

**AUGUST, 2023**

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**DEDICATION**

This study is dedicated to my lovely daughters Grace and Bariki for their patience which encouraged me to make this a success.

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**ABSTRACT**

Financial performance is a measure of an organization’s earnings, profits, appropriations in value as evidenced by the rise in the entity’s share price. In insurance performance is normally expressed in net premium earned, profitability from underwriting activities, annual turnover, return on investment and return on equity. It is believed that there is slight improvement on trade and investment in South Sudan for the last past years though many challenges still remain. Despite the efforts done by the government to develop and improve investment practices, insurance firms continue to face extreme challenging investment climate. Insecurity in a warring nation scares away investors, low public awareness on insurance firms’ investment benefits, no reliable procedures and law set to govern the investment opportunities, no resources, and capacity for investment practices and government lacks law routine enforcement on law breakers. The main objective of the study was to determine the effect of investment practices on financial performance of insurance firms in Juba County, South Sudan. The study specifically sought to determine the effect of financial innovations on financial performance of insurance firms in Juba county, examine the relationship between long term investment and the financial performance of insurance firms in Juba county, establish the relationship between equity investment and financial performance of insurance firms in Juba county and finally determine the moderating effect of asset base on the relationship between investment practices and financial performance of insurance firms in Juba county, South Sudan. A descriptive research design was adopted for the study. The study population comprised of 316 employees who work in the 25 selected insurance firms with a sample size of 75 respondents. Primary data was obtained directly from respondents using a closed-ended questionnaire. The data was analyzed using descriptive and inferential statistics using SPSS 20 software. A regression analysis was used to determine the effect of investment practices on financial performance. The results showed that most of the firms were among the first to introduce and promote new innovative products to the market. Majority of the firms invested in long term investment. The results also showed that innovation practices significantly influenced financial performance by increasing the performance by 18%. Over-reliance on equity investments reported a significantly detrimental effect on financial performance. The asset base of insurance companies in South Sudan did report significant moderating effect on financial performance of insurance firms in Juba County. The study recommended that the insurance firms should revise their equity investment to stimulate their financial returns and the government should embark on long term investment plans to achieve adequate infrastructural development which may contribute to the rise in the country’s economy.

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**OPERATIONAL AND DEFINATIONAL OF TERMS**

|  |  |
| --- | --- |
| **Asset Based**  **Investment practice** | It focuses on the strengths of the firm  Is the investment objectives and fundamental investment policies and restrictions of a respective borrower as set forth in such a borrower’s prospectus. |
| **Equity Investment** | An equity investment is money that is invested in a company by purchasing shares of that company in the stock market. These shares are typically traded on a stock exchange. |
| **Long term Investment** | Is creating a portfolio that will provide your income in the long run, be it retirement or meeting any long term financial goal. |
| **Financial Innovations** | Refers to a method of introducing new business processes leading to increased efficiency or market expansion (Onduku, 2013). |
| **Return on Assets** | Quantity of money a firm earns by putting its assets to use. It measures the efficiency or profitability of a firm relative to its. |
| **Return of Equity** | Return on Equity is the measure of a company’s annual return (net Income) divide the total of its shareholders’ equity |
| **Return on Investment** | Return on Investment (ROI) is a core financial performance of an investment and to compare the efficiency to other investments |

# ABBREVIATION AND ACRONYMS

|  |  |
| --- | --- |
| **CBSS** | Central Bank of South Sudan |
| **CES** | Central Equatoria State |
| **EAC** | East Africa Community |
| **IRA** | Insurance Regulation Authority |
| **IUCEA** | Inter-University Council of East Africa |
| **ROA** | Return on Asset |
| **ROI**  **SSIA** | Return on Investment  South Sudan Investment Authority |
| **GDP** | Gross Domestic Product |
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# CHARPTER ONE

# INTRODUCTION

# 1.1 Overview

This chapter presents background of the study, statement of the problem, objectives of the research, research hypotheses, significance of the study, justification of the study, scope of the study and limitation of the study.

# 1.2 Background of the study

The longevity of any insurance company's business management model's existence can be used to gauge its effectiveness. The heart of the insurance sector is made up of a number of solid practices, including underwriting, risk-sharing, and investment. The investing function takes care of the cash-to-cash cycle, which begins with premium collection and ends with claim payout (Sunder R. K. & Monita J., 2014). (Chapter 14 The Practice of Investment Introduction) states that among investment techniques include knowing where to locate and how to assess the information you need, the brokers and fees associated with trading stocks, the moral and legal standards of the securities industry, and the particular problems associated with investing internationally. Muli et al., (2019) asserts that investment refers to a business' decision to decide how best to spend its current resources to long-term assets in order to maximize benefits in the future.

Investment practice according to law inside definition means the investment objectives and fundamental investment policies and restrictions of a respective borrower as set forth in such a borrower’s prospectus. In order to find better investment strategies that enables them to increase the financial profitability of the business while limiting the capital requirements imposed by the regulation. Insurance undertakings have developed increasingly complex models based on detailed financial data obtained by performing a look-through approach. Additionally, it is advised that insurance undertakings continue to look into cutting-edge investment strategies in order to combat the anticipated decline in performance in their financial results due to the subpar returns on bond-based investment strategies. The insurance aims to effectively manage the market and liquidity, decrease capital infusion from shareholders, and boost financial return on investment portfolios by lowering the capital charge to the market risk model in particular (Deloitte, 2017). According to the World Bank's 2020 Doing Business report, South Sudan is 185th out of 190 economies in terms of how easy it is to conduct business generally. The fact that it has one of the lowest rates of cross-border trade among developing landlocked countries presents a significant obstacle for investors. The establishment of institutions and appealing fiscal regimes were some of the first efforts the government took to promote foreign investment Lloyds Bank, (2021).

Financial performance is a measure of an organization’s earnings, profits, appreciations in value as evidenced by the rise in the entity’s share price. In insurance, performance is normally expressed in net premium earned, profitability from underwriting activities, annual turnover, returns on investment and return on equity (Kojo, 2013).

Unique financial services provided by insurance companies are vital to the development and improvement of every economy. The assessment of risks related to economic entities and the mobilization of substantial sums of money through premiums for long-term investments are two examples of such specialized financial services. Following the receipt of funds from insured investors who pay the premium for the purchase of insurance coverage, insurance companies are required to manage their collections by investing within the restrictions imposed by the various authorities. Indeed, a strong and sophisticated insurance industry promotes economic expansion since it provides long-term financing for the development of every economy's infrastructure (Ombima, G. A., 2018). Therefore, insurance companies must make the most use of their resources by spreading their assets over a number of asset kinds in order to effectively regulate performance. Gains from investments improve the operating performance of insurance companies, allowing them to lower rates and boost dividends and bonuses, which boost their ability to compete Cummins & Grace, (2014), Citibank, (2014).

# 1.2.1 Global Perspective

In USA and UK Batool & Sahi (2016) Conducted a study on the factors affecting insurance companies' financial performance during the global financial crisis (2007–2016). Over the past ten years, the insurance sectors in the US and the UK have both seen reductions. On a sample of quarterly data from 24 insurance companies between 2007 and 2016, panel data techniques were applied. Variables used as explanatory factors that consider both internal (firm size, liquidity, leverage, and asset turnover) and external (Gross Domestic Product, CPI, interest rates, and WTI) factors. The research's conclusions are as follows: Firm size, liquidity, leverage, asset turnover, GDP, and WTI are all positively correlated in the USA; however CPI and interest rates are negatively correlated and have notable influence. Leverage, asset turnover, and interest rates have a strong negative impact on UK-sized businesses, but liquidity, GDP, CPI, and WTI have positive effects. Insurance in the US is more useful than insurance in the UK. These results will help the insurance industry, the government, legislators, and investors make decisions and enhance performance (Batool & Sahi, 2016).

In Saudi Dhiab (2021) a study was conducted on Saudi Insurance Market: An Empirical Study on Determinants of Insurance Firms' Profitability. Customers, businesses, and economies all rely on the insurance sector. It offers services for risk transfer, indemnity, and financial intermediation, among other things. The empirical analysis is based on information gathered from a sample of 20 Saudi insurance companies between 2009 and 2017. The fixed-effects model, random-effects model, feasible generalized least squares, ordinary least squares with panel-corrected standard errors, difference GMM, and ultimately system GMM are utilized in the empirical investigation to assess for robustness. The empirical findings show that the growth rate of written premium, the tangibility ratio, and the fixed-assets ratio are the main factors that positively affect the profitability of Saudi insurance enterprises. Furthermore, although the liquidity ratio and company size are both positively correlated with profitability, their impacts are not statistically significant. On the other side, the loss ratio, liabilities ratio, insurance leverage ratio, and to a lesser extent, company age, have a negative impact on the profitability of Saudi insurance enterprises. (Dhiab, 2021)

Albrecht & Hingorani, (2014) recent statistical research on the trustee boards of state and local pension systems have concentrated on two related concerns. The first is the impact governance procedures have on the management of fund assets. The second is how different investing strategies affect the overall rates of return on funds. According to reported findings, asset allocation choices are how governance practices have the biggest indirect impacts on pension outcomes. Using anomalous return as an intrinsically valuable indicator of risk-adjusted financial performance, this study reexamined these difficulties. The use of "process analysis" to separate the direct and indirect effects of governance policies on financial performance is a novel aspect of the inquiry. According to the findings, although both kinds of effects occur, mediating processes are less important than direct impacts. (Albrecht & Hingorani, 2014)

# 1.2.2 Regional Perspective

(Theuri Kiboi & Bosire, 2022) investigated a few investment decisions and their impact on the financial performance of Kenyan insurance companies. 37 general insurance companies' data were gathered for the years 2013–2019. Secondary information on the financial performance and investment choices for each portfolio was gathered from the websites of the companies, IRA publications, and annual reports from Aki. Using return on equity, financial performance was assessed. For data analysis and hypothesis testing, correlation and simple regression were used. The results demonstrated that each of the four chosen investment methods had a favorable and significant influence on the return on equity for the sampled businesses (Theuri Kiboi & Bosire, 2022)

In Nigeria, Ajao & Eghosa (2018) investigated the relationship between firm specific factors and the performance of insurance firms Nigeria stock exchange. The empirical findings demonstrated a direct and statistically significant link between insurance performance and the age of the company. Furthermore, company size and growth rate are unique firm characteristics that have a substantial inverse association with insurance firm performance, indicating that insurance firms suffer from diseconomies of scale as a result of uncontrolled growth. The study applauds that exogenous factors that relate to performance of insurance companies in Nigeria should be considered as most of the firm specific dynamics observed in this study did not have significant positive impact on performance of insurance firms during the period measured. (Ajao & Ogieriakhi, 2018).

Hussin, (2017) established a link between investment and the financial success of Kenyan commercial banks. The study's primary theoretical foundations were from the neoclassical theory of investment, the q theory of investment, and the accelerator model. Secondary data was acquired from the selected 42 commercial banks using a descriptive study design. The findings revealed a negligible inverse association between return on asset, investment in real estate, and investment in government securities. The findings also showed a significant association between investment in stocks, liquidity, bank size, and capital adequacy, as well as a positive and insignificant relationship between corporate bonds and return on assets of the commercial bank. Additionally, it was discovered that there is no substantial or negative correlation between credit risk and return on assets. The study came to the conclusion that investments in common stock and investments in the stock of other companies have a substantial impact on the financial performance of commercial banks. The study suggests that in order to improve the financial performance of their institutions, managers of commercial banks should concentrate on stock investment and maintain a sufficient level of liquidity and capital (Hussein, 2017).

In Ethiopia, Abreham, (2018) Empirically assessing the effects of investments on the financial performance of insurance companies in Ethiopia, the findings were then interpreted in light of the regulations. For the study's analysis of the regression model, which covered a period of 18 consecutive years from 2000 to 2017, information was acquired from eight insurance companies. In particular, E-view8 software and the fixed effect model on the regression analysis were used in the study. The study analyzed two dependent variables, return on asset (ROA), and return on equity, coupled with six independent factors, including time deposit investment, equity investment, Treasury bill investment, fixed asset investment, capital adequacy ratio, and insurance size (ROE). The results of the regression show that investments in time deposits, fixed assets, capital adequacy ratios, and insurance size have positive and significant effects on the financial performance of insurance companies in Ethiopia at a 5% significance level, whereas investments in equity and Treasury bills have negligible effects at this level. The study came to the conclusion that investments have a big impact on the financial health of Ethiopian insurance businesses. As a result, the study makes recommendations in support of each variable for Ethiopian insurance companies to pay close attention to the investment sector in order to considerably improve their financial performance (Abreham, 2018)

# 1.2.3 Local Perspective

In South Sudan, Mading, (2017) conducted a study on the protection of foreign investment in South Sudan and made the case for the consolidation of several rules relating to foreign investment. The main argument was that by attracting more private foreign investment, the countries enhance their market share, develop their private sectors, and resolve their problems with external debt. Foreign investors continue to operate in a very challenging business environment despite efforts by the South Sudanese government to promote foreign investment. This is because the laws governing foreign investment are dispersed among various pieces of legislation that have been passed by various law-making bodies. There exist laws that contradict one another, and there are no reliable procedures for resolving these conflicts. In other words, the lack of a coherent set of laws governing foreign investment in South Sudan makes enforcement difficult and encourages legal ambiguity. This legal ambiguity does not boost investor confidence. In light of this, the study's main thesis is that the myriad of contradictory and fragmented laws governing foreign investment in South Sudan act as a barrier to the inflow of international capital necessary for economic development (Mading & Olufemi, 2017).

Ajieth, (2020) examine and evaluate the part that commercial banks have had in the expansion of the regional economy in the South Sudanese Republic. The study shows how credit and loans impact GDP and, consequently, the rate of a nation's economic expansion. Secondary sources were used to compile the data for this study. A variety of textbooks and annual reports were explored as secondary sources. The data were subjected to a quantitative analysis using descriptive statistics. The results of the analysis showed that commercial banks are helpful for South Sudan's economic development. Additionally, it was demonstrated that domestic commercial banks distribute their own credits fairly (Ajieth, 2020).

# 1.3 Statement of the Problem

Trade and investment conditions in South Sudan have slightly improved in the past years, but many challenges remain. The peace process has moved into the transition phase with the constitution of a new presidency structure and cabinet as components of a new Revitalized Transitional Government of National Unity in February and March included new ministries of investment and East African Community affairs (US Departement of State, 2020).

The then-South Sudan Investment Authority (SSIA) in 2018 and 2019 conducted investment roadshows, promoting South Sudan as an ideal location for investment. The SSIA compared its laws that govern investment practices in South Sudan with those in the region and determined themselves to be more favorable for investment than their neighbors however, laws in South Sudan are not routinely enforced, (US Departement of State, 2020).

Despite efforts by the government of South Sudan to develop investment practices in the country, insurance firms still face extremely challenging investment climate. The conflict the nation went through immediately after its birth dismantled it and deprived it from investment opportunities. Insecurity in a warring nation scares away investors, There is low public awareness on insurance firms, no reliable procedures and law set to govern the investment opportunities, no resources, and capacity for investment practices (Insurance Regulatory Authority, CES, 2022). Due to these diverse differences the study seeks to investigate the effect of investment practices on the financial performance of insurance firms in Juba County, South Sudan.

# 1.4 Objectives of the Study.

# 1.4.1 Purpose of the Study.

The purpose of the study was to determine the effect of investment practices on the financial performance of insurance firms in Juba County, South Sudan

# 1.4.2 Specific Objectives of the Study.

1. To determine the effect of financial innovations on financial performance of insurance firms in juba count, South Sudan
2. To examine the effect of long- term investment on financial performance of insurance firms in Juba county, South Sudan
3. To establish the relationship between equity investment and financial performance of insurance firms in Juba county, South Sudan
4. To determine the moderating effect of asset base and investment practices on performance of insurance firms in Juba County, South Sudan

# 1.5 Research Hypotheses

HO1: Financial innovations have no significant effect on the financial performance of insurance firms in Juba County, South Sudan

HO2: Long term investment has no significant effect on the financial performance of insurance firms in Juba County, South Sudan

HO3: Equity investment has no significant effect on the financial performance of insurance firms in Juba, South Soudan

HO4: Asset base has no significant moderating effect on the relationship between investment practices and performance of insurance firms in Juba County, South Sudan

# 1.6 Significance of the Study

The study would enable the insurance firms to use the best investment practices to optimize their profits. The findings on long term investment could be adopted by the insurance firms to increase their financial performance. The top management and investment managers of insurance company would be guided on wise investment choices that would improve their financial performance. The study was aimed to assist insurance Management and investors to make sound investment decisions and identify strategies to less risky investments. The study provided a benchmarking on asset base systems that could be adopted by the insurance firms in South Sudan. The investigation could be used by academic pioneers to boost their academic purposes. Lastly, the investigation contributed to practice and theory. The recommendations of the study would assist stakeholders in developing more effective investment practices for investments to boost the financial performance of South Sudan's insurance sector.

# 1.7 Justification of the Study.

The previous research showed that very little research had been done on the investment practices and financial performance in South Sudan especially in Juba county. Little concentration of investment practices has been done in the commercial banks but failed to expound on matters to do with the investment practices in insurance firms which is of crucial importance to the growth and development of insurance firms in South Sudan. Therefore, this present study unfolded and brought to light the effect of investment practices on the financial performance of insurance firms in South Sudan.

**1.8 Scope of the study**

The study was meant to employ the effect of investment practices on financial performance of insurance firms in Juba county, South Sudan. The focus was limited to financial innovations, long term investment, equity investment and financial performance of insurance firms. 75 staff from all the 25 selected insurance firms were sampled. The target respondents were chief executive officers, finance managers and internal auditors of the selected insurance firms because they were directly involved in budgeting and decision making of the respective insurance firms finances. Closed-ended questionnaires were used to source primary data from the target respondents of the insurance annual statement for six years’ period 2016 to 2021. The data was analyzed using descriptive and inferential statistics.

**1.9 Limitation of the study**

The study took longer than anticipated since majority of the respondents were unable to complete the questionnaires on time because they worked shift jobs or had language barriers. Consequently, the response rate fell by 9%.

The researcher may not have gotten the right answers for the study because of respondents' probable personal biases resulting from their worry that the researcher will reveal the information. The researcher lessened this restriction by assuring the respondents that the information they were to supply was secret and for scholarly purposes.

The study population was made up of 25 registered insurance firms in Juba county, South Sudan. 75 questionnaires were distributed, three to every insurance firm. However, 68 questionnaires were returned, 3 were returned unanswered and 5 were not returned. This might have weakened the quality of the study.

Time was another limitation since the respondents were reluctant to fill and return the questionnaires on time which became a challenge to finish on the time frame given by the university.

The researcher also faced financial challenges as a result of the size of the research domain and the weakening economy.

**CHARPTER TWO**

# LITERATURE REVIEW

# 2.1 Introduction

This chapter looks at the theoretical framework and empirical analysis on the effect of investment practices on the financial performance of insurance firms and the knowledge gaps of the study.

# 2.2 Theoretical review of the study

**2.2.1 The neoclassical Theory of Investment**

This theory invented by Jorgenson in 1963. The theory's basics are derived from a firm's long-term goal of maximizing utility and wealth (Warström & Niemelä, 2015). Neoclassical theory suggests that investment can be viewed as a distributed lag function of changes in the required amount of capital. In this case, the required or desired capital is influenced by the output level, user capital cost, and output price (Twine, Kiiza, & Bashaasha, 2015). The hypothesis assumes that the relationship between investment and company production and capital cost is fundamental. The theory also asserts that the capital and labor ratios adjust to the variations in pricing (Virlics, 2013).

The foundation of neoclassical investment theory is the notion that agents can compute numerical probabilities and ascertain the probability distribution of expected returns. According to investment models, the company is seen as being risk-neutral, and risk is produced by capital costs.

(Virlics, 2013). The neoclassical argument makes the underlying assumption that company managers operate in the interests of all business stakeholders. Additionally, it is presumptive that managers and outside fund suppliers are aware of the same range and caliber of investment alternatives as the organization. These premises form the basis of models that show the possible significance of internal funds in the investment decision (Ismail et al., 2010).

Since changes in the cost of capital services relative to the cost of output influence the desirable capital stock result to investment, the study believed that insurance firms should invest more on financial innovation and long term investment because they had substantial and positive correlation with the financial performance and invest less or eliminate their investments on equity which did not give positive returns to the firms. The insurance firms should continue employing asset base as their mediating tool. Therefore, this study was hankered on this theory.

# 2.2.2 The Q Theory of Investment

# This theory originated from Tobin and Brainard (1968) and Tobin (1969). The Q-theory is a development of the neoclassical theory as it accepts adjustment costs as an explanation for output losses. Businesses should choose investment levels that will maximize their estimated current firm value according to the theory (Twine, Kiiza, & Bashaasha, 2015). The theory assumes that the primary component of corporations' investments is the market valuation of their equity holdings. Investment decisions are therefore influenced when financing sources are more expensive than it would be to establish them on the market (Erickson & Whited, 2000).

This theory connects investment rate as a Q function, where Q is the market value ratio of newly added investment resources to their replacement cost. This investment theory suggests using the metric q, which calculates the difference between a unit of physical capital's market value and its replacement value, to assess whether there are investment opportunities for a specific company (Eklund, 2013). Tobin asserts that adding fresh capital will benefit the particular firm when it raises marginal units' worth over the cost of acquiring them or when q is greater than 1. In light of this, 1<q advises the company to raise cash (i.e., make additional investments) and vice versa (Balfoussia & Gibson, 2016).

According to the Q theory, marginal Q level which is defined as the impending investment marginal returns over the current marginal investment cost, is what influences investment decisions. The Q theory also contends that firms will decide to invest until the value of capital equals the cost of replacement, maximizing capital stock, if the firm's market value is higher than the cost of replacing capital (Warström & Niemelä, 2015). Therefore, insurance firms’ managers should incorporate the Q equilibrium value of investment on productive assets and make positive investment and drop nonproductive assets. In this study the insurance firms in Juba county should invest on innovation practices, long term investment practices and employ the asset base as their mediating tool to increase their financial performance and drop investment on equity which is nonproductive.

**2.2.3 The accelerator Theory of Investment**

The model instigated by Clark (1917) but its applications in business cycles was advanced by Samuelsson (1939). The model only demonstrates investment as a function of output growth if the desired capital stock is attained at every point in time. The model presupposes that capital demand is dependent on the rate of growth of that demand rather than the amount of demand for the finished good (Twine, Kiiza, & Bashaasha 2015). The accelerator is the arithmetic link between increases in investment as a result of income growth. If national income increases and investments fall to zero as a result of the national income or output remaining constant, the net investment that is induced will be positive (Heshmati & Lööf, 2008). The advance version of the neoclassical investment theory known as the accelerator reduces price movements to constant coefficients (Eklund, 2013). The cost of effect of capital, which accounts for the substitutability between capital and other production inputs, and the link between capital and output as determined by a production function are both depicted in the accelerator model. The accelerator model focuses on growth of output as the main element of investment choices (Twine, Kiiza, & Bashaasha, 2015). According to this model, firms seek to invest so that only minimal modifications are required to close the gap between the targeted stock of capital and the current stock of capital each period (Eklund, 2013). The insurance firms should therefore take advantage of the accelerator theory to analysis their positive growth or productivity of their output to make necessary investment choices.

# 2.3 Empirical Literature Review.

# 2.3.1. Financial Innovation and financial performance

Process innovation refers to a method of introducing new business processes leading to increased efficiency or market expansion (Onduku, 2013) Examples include office automation and use of computers with accounting and client data management software. Process innovation is associated with downsizing, restructuring, automation more use of technology, delayering, flattering the hierarchy, reorganizing and total quality management.

Githakwa (2011) investigated a study on the relationship between financial innovation and commercial bank profitability. The goal of the study was to see if there was a link between financial innovation and commercial bank profitability in Kenya. The participants were all from 44 registered commercial banks. Questionnaires and secondary data from commercial banks were used in the study. The data was gathered from 40 commercial banks that responded to the questionnaires. The research concluded that Kenyan commercial banks saw financial innovation as a way to improve profit performance. This financial performance implementation allows commercial banks to save significant resources and save operating costs, as well as lower the cost per transaction in bank operations.

Ndwiga & Maina (2018) determined the impact of innovation strategies of insurance companies. The study concluded that challenges are faced to a moderate extent by insurance firms in Kenya when implementing innovation strategies with the most common challenges being poor implementation innovative strategy, lack of a sound innovation management program, and high cost of implementing new ideas. The study also found that there is a substantial link between insurance innovation strategies and insurance firm performance in Kenya, with e-procurement accounting for 35% of the overall variance in insurance business performance. The study discovered that insurance innovation strategies and business performance have a substantial and positive association. The study suggests that the management of Nairobi's insurance firms should fully apply the innovation techniques to increase firm performance.

Rajapathirana and Hui (2017) explored the relationship among innovations capability, innovation type and on different aspect of firm performance including innovation, market and financial performance based on an empirical study covering insurance industry in Sri Lanka. The research sample was 379 senior insurance executives. The study used descriptive survey approach. The empirical validation of this model's assumptions has revealed that there is a considerable and robust link between innovation capabilities, innovation initiatives, and company performance. The findings of this study could lead to more effective management of innovation capability, which would assist insurance company management by allowing them to produce more effective innovation outcomes and generate greater performance.

Njegomir & Demko Rihter, (2013) reviewed the recent progress in innovation activities of investment funds and insurance companies concluded that the current state of knowledge of innovation activities among insurance companies and investment funds, the paper can be useful for domestic investment funds and insurance companies to identify possible areas for innovation as well as for government bodies to understand why fostering creation of innovation-friendly environment will bring benefits not only to financial services industry but to the society as a whole (Njegomir & Demko Rihter, 2013).

Musau (2016) asserted his focus that only research and development decision had a significant effect to SACCO performance while expansion decision, replacement decision, and research and development decision had no significant effects to SACCO financial performance. Thus, not all of investment decisions affect financial performance in SACCOs. The study recommended that SACCOs should invest more in research and development decision as it had a significant effect to SACCO financial performance, the least variation to the expected results and the highest contribution to financial performance in respect to SACCOs (Musau, 2016).

In marketing literature (Yongchuan , Shibin, & Zheng Zhou , 2011) investigated the subject of whether market information aids or hinders new product creation. The study disaggregated market knowledge into breadth and depth dimensions and investigated their different effects on new product innovativeness. The study shown that market knowledge breadth had a U-shaped relationship with product innovativeness, whereas market knowledge depth had an inverted U-shaped relationship.

# 2.3.2 Long term investment and financial performance

In Italy, Bressan, (2018) presented evidence demonstrating the impact of reinsurance on the viability, profitability, and tax-exempt status of insurance companies. The study's main finding is that primary insurers with more frequent reinsurance use have lower capital ratios. This has an effect on non-life insurance, health insurance, composite insurance, and title insurance. From our viewpoint, capital and reinsurance can be substituted for one another to boost solvency. This shows that by splitting their risk with reinsurers, primary insurers can see a decrease in capital. The fact that main insurers are more inclined to provide reinsurance to other firms indicates that there is a substantial relationship between the supply and demand for reinsurance at the firm level (Bressan, 2018).

Oloke et al., (2015) in Nigeria investigated the effect of investment on the real estate and it was found out that capital security and portfolio stability (diversification) were the main factors motivating investment in real estate, whereas liquidity concerns, high transaction costs, insufficient infrastructure development in the country, and unreliable valuation data, among other things, constitute major factors working against such as investment. Further investigation indicated that Nigerian real estate investment is now much below the legal minimum. He concluded by pushing insurance companies to regard real estate as an enticing investment asset in order to develop a comprehensive real estate submarket rather than cherry-picking assets (Oloke et al., 2015)

In Germany, Gründl et al., (2016) provides a summary of the changing investment strategies used by insurers, identifies potential opportunities and constraints, and comes to the conclusion that regulation should prioritize encouraging prudent asset and liability management with mechanisms that enable a true and fair understanding of insurers' risk exposures rather than favoring or impeding long-term investment as a whole. In risk-based solvency regulation, the capital requirements take into account the riskiness of an asset in relation to obligations (Gründl et al., 2016).

Wolski & Zaleczna, (2011) identified possible reasons for insurance companies’ scant interest in real estate as investment asset in Poland. The authors make an effort to ascertain how real estate investment has affected insurance company profits between 2000 and 2008. The relationship between real estate investment and profitability metrics including return on assets (ROA), return on equity (ROE), and return on sales was examined by the authors (ROS). This strategy reflected the viewpoint of the stockholders that influence real estate investments on the insurance companies' return on technical activity (RTA) and return on investment activity was then examined using the same type of study (RIA). The investigation found certain unfavorable associations that suggested real estate investments would hurt insurance companies' bottom lines. If this is the case, it would not be shocking if insurance firms refused to buy real estate. Further investigation is deemed necessary as a result of the short study period and changes in the legal classification of investment categories, which rendered the available data very unreliable and prevented the study conclusions from being viewed as incontrovertible (Wolski & Zaleczna, 2011).

In Kenya a study that sought to examine the impact of portfolio investments on the financial performance of Kenyan life insurance companies was carried out by Ombima, & Njiru, (2018). A descriptive survey was used as the research method for the study. The target market for Kenya consisted of 26 life insurance companies. Using proportionate stratified random selection, a sample of 75 top managers was selected. The data was analyzed using descriptive and inferential statistics and was gathered through the use of questionnaires and a data collection sheet. In order to analyze the data, SPSS version 25 was used (Statistical Package for Social Sciences). The study came to the conclusion that the investment portfolio of Kenyan insurance companies affected their financial performance. The purpose of this study was to evaluate the financial performance of Kenya's life insurance sector in relation to portfolio investing (Ombima, & Njiru, 2018).

**2.3.3 Equity investment and financial performance**

Nzilani Muema et al., (2021) studied the impact of stock and bond investments on the performance of the Kenyan CIS. The businesses use an explanatory research design. The target audience consisted of 17 Collective Investment Schemes that were registered with the Capital Markets Authority and operated between 2010 and 2018. The websites of the CIS and the Capital Markets Authority Annual Reports were searched for secondary data. The data were analyzed using descriptive statistics, correlational analysis, and panel regression analysis. The significance level for testing hypotheses was set at 0.05. According to the findings, bond and equity investments have little bearing on the CIS's return on assets. Additionally, although bond investments had no effect on liquidity, equity investments had a positive and significant impact. The study recommends that CISs actively revise their equity investments and bond investments to stimulate financial returns (Nzilani Muema et al., 2021)

Palea, (2022) questioned if long-term equity investments, which are viewed as necessary to retool economies in compliance with sustainability requirements, are suitable for fair value accounting. In doing so, the study focuses on the European Union and addresses the European Commission's (2018a) concern that the Paris Agreement on climate change and the Sustainable Development Goals of the UN cannot be accomplished with the use of current accounting systems. The results of the literature assessment support the hypothesis that fair value accounting has, over time, discouraged equity investments, leading to fewer risk-sharing and long-term investments in economies. The work contributes to the discussion of alternative measuring systems by offering potential answers to disputes resulting from empirical data. This paper provides information and recommendations that can assist policymakers in updating current accounting standards for long-term equity investments to align with sustainable development goals (Palea, 2022)

In South Sudan, Prof Ajieth, (2020) analyze and evaluate the commercial banks' contributions to regional economic development in the Republic of South Sudan. The study illustrates how loans and credit impact the GDP and, in turn, the rate of the nation's economic expansion. Secondary sources were used to compile the information for this study. Descriptive statistics were used in a quantitative examination of the data. According to the study, commercial banks contribute favorably to South Sudan's economic expansion. Additionally, it was discovered that domestic commercial bank credits are precisely proportionate to one another. According to suggestions made online, the government should encourage South Sudanese to save money, increase banking sector deregulation, and reduce taxes on commercial banks. were posted on the fact that, government should encourage the saving culture of South Sudanese, increase the level of deregulation in the banking sector and also reduce the tax burden on commercial banks (Prof & Ajieth, 2020).

**2.4 Moderating effect of Asset Base on financial performance**

Nurhayati et al., (2021) the goal of the study was to determine how corporate risk management, investment choices, and financial performance of DT-SACCOs in Western Kenya interacted. The study's specific objectives were to determine the relationship between corporate risk management and financial performance of DTSACCOs in Western Kenya, to evaluate the impact of investment decisions on financial performance, and to analyze the moderating impact of investment decisions on those relationships. The study found that, when combined with corporate risk management, investment decisions are crucial. It advises DT-SACCOs in Western Kenya to invest in the corporate risk management structures of operational risk management and credit risk management (Nurhayati et al., 2021).

In Taiwan Hsu, (2013) Leverage is important for a firm to complete innovation and ensure the financial resources required to launch new products. Leverage will help a company finish its innovation and get the funding needed to introduce new products. the ability of ownership structures to spread out their holdings and encourage enterprises with invested capital to pursue interesting opportunities. According to the study, 336 information technology enterprises' R&D investments and financial leverage were influenced by ownership structure and leverage. A notable finding is that the ownership structure has a favorable impact on the link between R&D performance. However, leverage has a negative impact on the connection between R&D and company performance (Hsu, 2013).

Abbasi and Malik (2015) pinpointed the moderating effect that assets had on firm performance and firm growth. The authors used alternative hypothesis and null hypothesis to guide their research study. The null hypothesis negated the moderating effect that firm size had on firm growth and firm performance. The alternative hypothesis put the moderating effect in the affirmative. 50 insurance firms were studied to obtain cross sectional data. These are listed companies in the Karachi Stock Exchange. The researchers moved to fulfill the formality required for stationary data. They then applied regression and addressed multi-collinearity to get results that affirmed the alternative hypothesis. Firm size was determined to have a moderating inspiration on firm performance and firm growth. Management of firms should be keen to evaluate their firm size whenever they are pursuing firm growth as a strategy to improve their firm performance.

# 2.4 Conceptual Framework

The conceptual framework presented a systematic interpretation explaining the relationship of the objective in terms of independent and dependent variables.The independent variable for this research is analyzing financial innovations of insurance firms.

**Independent variab**le

**Financial Innovations investment**

* Process innovation Strategy
* Product innovation Strategy
* Service innovation Strategy

**Equity Investment**

* Preference shares
* Ordinary shares
* Stock investment
* Bond investment

**Long term Investment**

* Real Estate
* Reinsurance
* Fixed Income Securities
* Research and Development

**Asset Base**

* Total Assets

**Financial Performance**

* ROA
* ROE

**Dependent variable**

**Moderating variable**

**Figure 1.1:** Conceptual Framework

**Source:** Own Conceptualization, 2022

**2.5 Summary of empirical studies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Study | Focus | Methodology | Findings and Recommendations | Research Gap | Focus of the current study |
|  |  |  |  |  |  |
| In Saudi Dhiab (2021) | Carried out the study on determinants of Insurance Firms’ Profitability | fixed-effects model, random-effects model, feasible generalized least squares, ordinary least squares with panel-corrected standard errors, difference GMM, and finally system GMM | The empirical results indicate that the primary variables positively influencing the profitability of Saudi insurance businesses are the growth rate of written premium, the tangibility ratio, and the fixed-assets ratio. Although the size of the company and the liquidity ratio are both favorably related to profitability, their effects are not statistically significant. On the other hand, the profitability is negatively impacted by the loss ratio, liabilities ratio, insurance leverage ratio, and to a lesser extent, company age | The study used several designs to analyze data | The study will employ descriptive research design |
| (Theuri Kiboi & Bosire, 2022) | Sought to investigate selected Investment Choices and Effect on Financial Performance of Insurance Companies in Kenya. | The data was collected using secondary method | The findings showed that the return on equity for the sampled enterprises was positively and significantly impacted by each of the four selected investment strategies. | The study investigated investment choices and effect on financial performance of insurance companies in Kenya | The study will investigate the investment practices on financial performance of insurance firms in South Sudan |
| Njegomir & Demko Rihter, (2013) | Assessed investment funds' and insurance firms' recent success in terms of innovation in India | The inquiry looked into the world's most important innovation trends, as well as their causes and repercussions. | He found out that insurance and investment fund innovations are primarily incremental and focused on products, albeit they also refer to processes, marketing, and general organization | Assessed investment funds' and insurance firms' recent success in terms of innovation in India | The study will assess the investment practices on the financial performance of insurance firms in South Sudan |
| Ajao & Eghosa (2018) | A study in Nigeria, investigated the relationship between firm specific factors and the performance of insurance firms Nigeria stock exchange. |  | The study applauds that exogenous factors that relate to performance of insurance companies in Nigeria should be considered as most of the firm specific dynamics observed in this study did not have significant positive impact on performance of insurance firms during the period measured | The study was carried out in Nigeria | This study will focus on investment practices in South Sudan |
| (Mading & Olufemi, 2017) | In South Sudan conducted a study on protection of foreign investment in South Sudan: making a case for consolidation of fragmented foreign investment related laws. |  | He argued that foreign investment in South Sudan is regulated by a raft of fragmented foreign investment related laws which are scattered and inconsistent, posing a disincentive to inflow of foreign investible capital into the country for economic development | The study was on the protection of foreign investment in South Sudan | This study will focus of the investment practices in South Sudan |
| Kicová (2019) | Investigated enterprise’s process innovations in the context of enterprise’s financial performance. | The research employed descriptive design | It was found out that enterprise process innovations has a significant impact on enhancing a company's financial performance when all ongoing operations under optimal supervision and coordination. | The study will investigated the firm’s innovation in the context of the firm’s profitability | The study will use purposive sampling |
| Githakwa (2011) | Investigated a study on the relationship between financial innovation and commercial bank profitability. | Questionnaires and secondary data from commercial banks were used in the study. | The research concluded that Kenyan commercial banks saw financial innovation as a way to improve profit performance of the commercial banks. | The study will investigate the relationship between financial innovation and insurance firms profitability | The study will use both primary and secondary data. |
| Ndwiga & Maina (2018) | Determined the impact of innovation strategies of insurance companies. | Descriptive and statistics designs were used to analyze the data. | The study discovered that insurance innovation strategies and business performance have a substantial and positive association. | The investigation was done in Kenya | The study will be carried out in South Sudan |
| Rajapathirana and Hui (2017) | Explored the relationship among innovations capability, innovation type on different aspect of firm performance and financial performance based on an empirical study covering insurance industry in Sri Lanka. | The study used descriptive survey approach. | The findings led to more effective management of innovation capability, which would assist insurance company management by allowing them to produce more effective innovation outcomes and generate greater performance. | The study explored the relationship among innovations capability, innovation type and on different aspect of firm performance | The study will used both primary and secondary approaches to collect data |
| (Yongchuan , Shibin, & Zheng Zhou , 2011) | In marketing literature investigated the subject of whether market information aids or hinders new product creation. | The study used descriptive design | the study shows that market knowledge breadth has a U-shaped relationship with product innovativeness, whereas market knowledge depth has an inverted U-shaped relationship. | The study was carried out is China | The study will be investigated investment practices and financial performance of insurance firms |
| Bao et al. (2012) | Conducted an empirical examination of the links between innovation and institutions. | Using cross-country data and the instrumental variable method | The study finds that institutional arrangements explain much of the cross country variations in patent production. It implied that controlling for institutional quality, geographic related variables are not significant in explaining patent production. It supported the idea that in the long run human capital accumulation is an important factor in shaping institutions. | The study used descriptive design for data collection. | The study will use purposive sampling method |
| Torres de Oliveira et al. (2020) | Investigated how innovation benefits firms and how openness may enhance their benefits. | Comparing data from a liberal (Australia) and central market economy (China), using search breadth as a measure of openness | The findings demonstrate the importance of institutions and national economic systems in explaining open innovation in different contexts a point not yet addressed in the open innovation literature. | The study will use ROA, ROE, ROI and profitability to measure performance | The current focus will be done in South Sudan |
| Nagarajah & Alagathurai, 2021 | Investigated the impact of corporate Internet Reporting (CIR) on firm performance on diversified financial and insurance firms in Sri Lanka over the year 2018. | The researcher used content analysis to retrieve the internet reporting items. | The result of the regression analysis revealed that the content element disclosure only has a significant positive association with return on assets. | Investigated the impact of corporate Internet Reporting (CIR) on firm performance on diversified financial and insurance firms in Sri Lanka | The study will use insurance firms |
| Italy, Bressan, (2018) | provided empirical evidence for the effect of reinsurance on insurance companies on solvency, profitability, and taxes of primary insurers |  | The finding is that primary insurers increase in the use of reinsurance exhibit lower capital ratios. Relationship between demand and supply of reinsurance at the firm level, primary insurers are more prone to providing reinsurance to other firms | The study provided empirical evidence for the effect of reinsurance on the insurance companies on solvency, profitability and taxes of primary insurers | The empirical evidence will be on investment financial innovations, Long term investment and equity investment of insurance firms. |
| Oloke et al., (2015) in Nigeria | Examined the perception of insurance companies about real asset in their portfolio and factors that influence investment in the asset | Structured questionnaires were distributed to 52 insurance companies in Lagos State. | Capital security and portfolio stability (diversification) were found to be the principal driving motive for investing in real estate while liquidity concern, high transaction costs, inadequate infrastructure development in the country and unreliable valuation data among others constitute major factors militating against investment in real estate. | The study examined the perception of insurance companies about real asset in their portfolio and factors that influence investment in the asset | This study will examine the effect of investment practices on the financial performance of the insurance firms |
| In Germany, Gründl et al., (2016) | The report investigated the extent to which changes in macroeconomic conditions, market developments and insurance regulation may affect the role of insurers in long-term investment financing. |  | It concluded that regulation should neither unduly favor nor hinder long-term investment as such, but place priority on incentivizing prudent asset and liability management with mechanisms that allow for a “true and fair view” of insurers’ risk exposures. | The study was focused on role of insurers in long term investment financing | This study will focus on the investment practices and financial performs of insurances firms |
| Wolski & Zaleczna, (2011( in Poland | The study determine the impact of real estate investment on insurance companies’ profitability for the period 2000-2008 |  | The analysis revealed some negative correlations real estate investments may reduce the profitability of insurance companies. If this is true, the unwillingness of insurance companies to purchase property would not be surprising hence further research needs to be done | The study determined the impact of real estate investment on insurance companies profitability in Poland | This study will focus on the investment practices of the insurance firms in South Sudan |
| Ombima, & Njiru, (2018) in Kenya | Investigate the effect of portfolio investment on the financial performance of life insurance companies in Kenya. | A sample of 75 senior managers was selected via proportionate stratified random selection | The study came to the conclusion that the investment portfolio of Kenyan insurance companies affected their financial performance. | The study will investigate the investment practices on the financial performance of insurance firms | The study will target 75 chief executive officer, finance officer and internal auditor via purposive sampling |
| Nzilani Muema et al., (2021) | Investigated the effect of equity investments and bond investments on Kenyan CIS’s performance. | Secondary data was used to collect data, descriptive statistics, correlational analysis and panel, regression analysis were used to analyze the data | Findings indicated that equity investment, bond investments have an insignificant effect on CIS’ return on assets. Further, equity investments had a positive and significant effect on liquidity whereas bond investments had an insignificant effect on liquidity. The study recommends that CISs actively revise their equity investments and bond investments to stimulate financial returns | The study investigated the effect of equity investments and bond investments on CISs performance | This study will investigate the investment practices on financial performance of insurance firms |
| Palea, (2022) in European Union | discussed whether fair value accounting fits for long-term equity investments, which are considered key to retool economies according to sustainability criteria. |  | Findings revealed that the literature review supports the view that fair value accounting has played a role in discouraging equity investments over time, thus leaving economies with poorer risk-sharing and weaker long-term investments | The study was conducted in the European Unions | This study will be conducted in South Sudan |
| In South Sudan, Prof Ajieth, (2020) | Critically examine and analyze the contributions of commercial banks to local economic growth in the Republic of South Sudan | The data for this study was collected through secondary sources. Descriptive analysis was used to analyzed the quantitative data. | The study revealed that commercial banks have a positive impact on the economic growth of South Sudan. It was also realized that domestic credits from commercial banks have a directly proportional relationship. The recommendations, government should encourage the saving culture of South Sudanese, increase the level of deregulation in the banking sector and also reduce the tax burden on commercial banks | The study examined the contributions of commercial banks to local economic growth in South Sudan | This study will focus on the investment practices in the insurance firms in South Sudan |
| Abbasi and Malik (2015) | The study pinpointed the moderating effect that assets had on firm performance and firm growth. | Regression and addressed multi-collinearity were used to get results that affirmed the alternative hypothesis. | Firm size was determined to have a moderating inspiration on firm performance and firm growth. | They then applied regression and addressed multi-collinearity to get results that affirmed the alternative hypothesis in the Karachi Stock Exchange. | The author will use descriptive research design. |
| Hsu, (2013) | Investigated the moderating effects on leverage and ownership structure of firm performance in Taiwan | Data are collected from a database hold by the Taiwan Economic Journal (TEJ**)** | finding is that the ownership structure has a favorable impact on the link between R&D performance. However, leverage has a negative impact on the connection between R&D and company performance | The data was collected from a database | The study will use primary and secondary as a method of data collection |
| Nurhayati et al., (2021) | Determine how corporate risk management, investment choices, and financial performance of DT-SACCOs in Western Kenya interacted. |  | The findings may be helpful for policy makers in SACCOs and the government in developing policies to regulate the activities of DT-SACCOs in Kenya; shareholders in making investment decisions; and academicians in laying the groundwork for the future development of theory in the fields of corporate risk management, investment choices, and financial performance | The study determined the corporate risk management, investment choices and financial performance of DT-SACCOs | The current study will determine the effect of moderating effect of asset base on investment practices and financial performance of insurance firms |

**Table 2.1 Literature Review Matrix,** **Source: Researcher, 2022**

# 2.6 Research Gaps

Having reviewed both theoretical and empirical studies, lots of gaps existed about investment decisions and financial performance in both developed and under developed countries. In comparison with the first objective for example, Githakwa (2011) investigated a study on the relationship between financial innovation and commercial bank profitability and it was concluded that Kenyan commercial banks saw financial innovation as a way to improve profit performance, Njegomir & Demko Rihter, (2013) reviewed the recent progress in innovation activities of investment funds and insurance companies concluded that the current state of knowledge of innovation activities among insurance companies and investment funds were useful for domestic investment funds as well as insurance companies. These studies agreed with the objective which concluded that insurance firms in Juba county should encourage their investment by employing financial innovation strategy as the tool to increase their financial performance.

In comparing long term investment objective, studies such as in Germany, Gründl et al., (2016) provided a summary of the changing investment strategies used by insurers, identifies potential opportunities and constraints, and comes to the conclusion that regulation should prioritize encouraging prudent asset and liability management with mechanisms that enable a true and fair understanding of insurers' risk exposures rather than favoring or impeding long-term investment as a whole, Oloke et al., (2015) in Nigeria investigated the effect of investment on the real estate and he concluded by pushing insurance companies to regard real estate as an enticing investment asset in order to develop a comprehensive real estate submarket rather than cherry-picking assets, Ombima, & Njiru, (2018) examine the impact of portfolio investments on the financial performance of Kenyan life insurance companies and the study concluded that the investment portfolio of Kenyan insurance companies affected their financial performance. In relating this objective with various studies done by others in analyzing how positive financial performance result to investment, it is seen that many studies used different determinants to gain their investments. Therefore, this study used long term investment practices to determine their investments.

Comparing the third objective, equity investment, Nzilani Muema et al., (2021) studied the impact of stock and bond investments on the performance of the Kenyan CIS. The study recommends that CISs actively revise their equity investments and bond investments to stimulate financial returns, this study did not support this objective. According to this study, overreliance on equity investment reduced the financial performance of insurance firms, hence discouraged investment activities. Palea, (2022) questioned if long-term equity investments, which are viewed as necessary to retool economies in compliance with sustainability requirements, are suitable for fair value accounting. The results of the literature assessment support the hypothesis that fair value accounting has, over time, discouraged equity investments, leading to fewer risk-sharing and long-term investments in economies. This investigation was believed to have supported the objective. The gap that was fulfilled by the study was that there is no study which has investigated investment practices and financial performance of insurance firms in Juba county, South Sudan.

Further, the moderating variable of asset base on financial performance of insurance firms was also investigated, Nurhayati et al., (2021) determined the relationship between corporate risk management and financial performance of DTSACCOs in Western Kenya to evaluate the impact of investment decisions on financial performance, and to analyze the moderating impact of investment decisions on those relationships. The study found that, when combined with corporate risk management, investment decisions are crucial, Abbasi and Malik (2015) pinpointed the moderating effect that assets had on firm performance and firm growth. Firm size was determined to have a moderating inspiration on firm performance and firm growth. Whilst the empirical studies used varies moderating variables to measure their firm financial performance, this study filled this knowledge gap by introducing asset base to measure the relationship between the investment practices and the financial performance of insurance firms in Juba county.

In conclusion to the review of literature, the studies established that some few studies of the same kind have been carried out in other developed and under developed countries and none of this kind has been done in South Sudan especially in Juba county. Therefore, there is a need to do the same in Juba county. Furthermore, the few studies that have been done in South Sudan were concentrated on commercial banks, hence there is a need to do the same study in the insurance firms in South Sudan specially in Juba county.

# CHAPTER THREE

# RESEARCH METHODOLOGY

# 3.1 Introduction

This chapter discusses the research approach that was employed to achieve the study's goal. The chapter covered the research design, location of the study, target population, sampling procedure and sample size, data collection, data validity and reliability, data processing, data presentation and ethical considerations.

# 3.2 Research Design

The study adopted a cross sectional descriptive study design. The design was meant to provide information as it existed in the area of study, that is, the investment practices and financial performance of insurance companies in Juba County of South Sudan. The data collected was non-experimental and thus just descriptive.

# 3.3 Target Population

As noted by Bartlett *et al.* (2001), target population is a complete set of items from which information is collected (Bartlett *et al.,* 2001; Creswell, 2003). The population for this study was drawn from 316 employees from the selected insurance firms in Juba County, South Sudan that were dully registered and licensed under the central bank of South Sudan (2010) and Insurance Regulatory Authority (IRA). The study respondents for this study were chief executive officers, finance officers and internal auditors selected from each of the 25 insurance firms since they had the adequate knowledge on financial performance of the insurance firms therefore, they were able to represent their respective firms effectively.

**Table3.1: Target Population**

|  |  |  |
| --- | --- | --- |
| **S/No** | **Name of the Insurance firm** | **Number of employees** |
| 1 | UAP Insurance Company Ltd | 40 |
| 2 | Britam Insurance Company Ltd | 36 |
| 3 | CIC Insurance Company Ltd | 23 |
| 4 | New Sudan Insurance Company Ltd | 15 |
| 5 | Myriad Insurance Company Ltd | 12 |
| 6 | Speed Insurance (SS) Limited | 14 |
| 7 | Savannah Insurance Company | 7 |
| 8 | Time Insurance Company Ltd | 5 |
| 9 | White Nile Insurance Company Ltd | 10 |
| 10 | National Insurance Company Ltd | 12 |
| 11 | Jamus International Insurance | 8 |
| 12 | Rescue Insurance Company Ltd | 5 |
| 13 | Salama Insurance Company Ltd | 6 |
| 14 | Blue Nile Insurance Company Ltd | 14 |
| 15 | Baping National Insurance Company Ltd | 8 |
| 16 | Instant Insurance Company Ltd | 8 |
| 17 | South Sudan Insurance Ltd | 16 |
| 18 | KIC Insurance Co.Ltd | 6 |
| 19 | Virtue Insurance Ltd | 8 |
| 20 | African Insurance Ltd | 10 |
| 21 | ACICA Insurance Co.Ltd | 9 |
| 22 | Trinity Insurance Ltd | 15 |
| 23 | Crown Insurance Ltd | 13 |
| 24 | Dove Insurance Ltd | 6 |
| 25 | Fidelity Insurance Company Ltd | 10 |
|  | **Total** | **316** |

**Source:** Insurance Regulatory Authority, CES, 2022

# 3.4 Sampling Design and Sample Size

Sampling is a careful selection of a few elements from a target population in order to produce a small cross section. This study employed purposive sampling method to select the study respondents or employees from the selected insurance firms. The study adopted a stratified random sampling design whereby different companies formed different strata while employees from those strata were randomly sampled to get a representative sample. Yamane’s formula of sample size calculation was employed in this study as expressed below,

# Where n is the sample size, N is population while e is the margin of error term which is 0.05. The sample size therefore was,

# 3.5 Data Collection Instruments

The data collected for this study were purely primary data and collected by use of structured closed-ended questionnaires.

**3.5.1 Questionnaires**

A questionnaire is a set of questions designed to answer a study's unique goals, research questions, or hypothesis (Mugenda & Mugenda, 2003). Primary data was obtained using closed-ended questions to obtain information from the respondents.

A questionnaire was found to be appropriate for a variety of reasons. According to (Kerlinger, 1973), a questionnaire is commonly utilized in research, since it allows the participant to be asked similar or standardized questions, this allows for comparisons between subjects' responses. It's also possible to reach out to various and far-flung responses by mailing or personally delivering to them. The anonymity of the individuals was ensured by employing questionnaires, which encouraged them to offer honest answers.

Structured questionnaires intended to cover issues of interest from the respondents were distributed to the target population in the insurance firms. Enquiries were tiered on a five-point Likert scale for easy analysis. The scale was strongly agree, agree, uncertain, disagree and strongly disagree.

# 3.6 Validity and Reliability of the Research Instrument

# 3.6.1 Validity

Validity refers to the extent in which an item measures what its purposed to measure. Hair and Lukas (2014) defined validity of a data collection instrument as the extent to which it measures what it claims to measure. The validity of an instrument is satisfied through face, content, criterion-related and content validity. The validity of this study was obtained through content validity.

According to dovetail.com, content validity concerns how well a specific research instrument measures what is aims to measure. The content validity was ascertained using panel of experts assigned to the researcher in the form of research supervisors who guided the researcher in conducting the research and ensuring the content of the research was at par with existing scholarly trends and knowledge.

# 3.6.2 Reliability

The accuracy and meaningfulness of inferences is what defines reliability (Mugenda & Mugenda, 2003). Reliability points to the level of internal consistency or stability over time of a research instrument (Kothari, 2004). That means for a research instrument to be reliable, it has to yield the same results when object to more than one trials. To test reliability of the research instrument for the study insurance firms (10% of sample size) from commercial bank in Juba were contacted to assist in checking whether the research questions were clear.

Cronbach Alpha was used to ascertain the consistency of the measuring instruments (questionnaires) with Cronbach’s alpha reliability coefficient for Likert-type scale. The reliability measurement was ascertained where the coefficient of stability was determined to be above 0.7. This ensured that the instruments used in measuring the variables were reliable and consistent over the period of time that the questionnaires were used in data collection for the study.

# 3.7 Pilot Study

A pilot study was conducted in Kuajok town as a prelude to the main study. Kuajok town was adopted for piloting since it had similar characteristics as the targeted county of Juba and hence the respondents used for pretesting were similar to the sample under study using procedures similar to those of the actual study. In this case nine (9) respondents from three insurance firms from Kuacjok were submitted with some draft questionnaires for a pilot test. The aim of the pilot study was intended to ascertain the effectiveness of the data collection instruments and feasibility of undertaking the study. The pilot study also guided the researcher on how to proceed with full-scale study later in an effective manner (Sampson, 2014). The findings of the pilot study helped in identifying anomalies that could have occurred during the actual study thereby enhancing the reliability and validity of the research instruments.

# 3.8 Data Presentation and Analysis

Excel sheets were used to record the questionnaires data that was gathered. Before any analysis, the data were cleaned and organized. To perform both descriptive and inferential statistics, the data was then loaded into the SPSS 20 version program. Tables containing categorical data variables were displayed as frequencies and percentages (proportions). Tables also showed the means and standard deviations of the continuous data variables. The response rate was displayed in a table, and after that, the results of the Cronbach's alpha reliability tests for each construct were shown.

Pearson correlation analysis (r) was used to determine the strength and direction between investment practices and financial performance. The general outcome of Pearson correlation ranges from -1 to 1. Values that ranged from -0.1 to -0.3 or 0.1 to 0.3 indicated low correlation -0.3 or -0.5 or 0.3 to 0.5 indicated medium correlation while values between -0.5 to -1 or 0.5 to 0.1 indicates high correlation (Hogg, 2014).

Simple linear regressions were used to analyze how investment practices affected financial success. To determine the impact of the constructs on financial performance, the significance of the predictors was established. There were number of assumptions done to test multiple linear regression analysis such as: normality, linearity, and collinearity. Shapiro-Wilk test was used to gauge the normality of the scores.

The second assumption was on linearity between independent and dependent variables. In this case normal probability plots were used to test the linearity of the association between independent and dependent variables.

To examine the significance of the overall model and the value of investment practices on influencing financial performance, the f-test statistic, t-statistic, and ANOVA were used. To demonstrate the extent to which the investment practices contributed to financial performance, the coefficient of determination (R2) in the regression model was computed at the 95% level of significance.

# 3.8 Ethical Consideration

The ethical issues considered while undertaking this research included seeking approvals, enabling voluntary participation, ensuring safety of participants and their information, guaranteeing of anonymity, confidentiality, avoiding deception, analyzing and reporting of the findings. To obtain access to the chosen institutions, a letter seeking permission to conduct the study from the ministry of Higher Education was submitted to the targeted insurance firms in South Sudan accompanied with an introduction letter from Kibabii University, a copy of questionnaire with a cover page explaining the importance of the study and expected findings was attached. Informed consent of each participant was sought by the researcher before their participation. The privacy of the participant was assured by not identifying the individual name or responses and keeping the questionnaires in private places where the researcher was the only one to access them. To avoid deception, the researcher identified herself with the respondents by sharing her contact details in case of any queries.

# CHAPTER FOUR

# DATA ANALYSIS AND PRESENTATION

**4.1 Introduction**

This chapter illustrates the results of data analysis in tables. The first table illustrates the response rate; the second illustrates the results reliability analysis of the pilot study. The social demographics of the respondents and the particular sample insurance firms are presented in tables as well. Descriptive statistics for every construct are provided and the relationship between investment practices and financial performance by use of correlation and regression analysis.

**4.2 Response Rate**

In studies that have a survey design have responses rates and return rates. The response rate refers to the number or proportion of questionnaires returned by the respondents after filling them divided by the initial number administered which usually equals the sample size. According to Mugenda et.al (2017), a response rate above 50% is satisfactory, 60% is considered to be good and the feedback rate of 71% is considered excellent. Therefore 90% response rate was adequate due to its ability to provide data that are reliable and thus considered to be excellent.

**Table 4.1 shows the response rate of the respondents.**

|  |  |  |
| --- | --- | --- |
| **Category** | **Respondents** | **Percentage (%)** |
| Questionnaires distributed | 75 | 100% |
| Returned Questionnaires | 70 | 93% |
| Unreturned Questionnaires | 5 | 7% |
| Unfilled Questionnaires | 2 | 3% |
| Useable Questionnaires | 68 | 90% |

After purposive sampling adoption, a sample size of 75 questionnaires was established from the 25 insurance firms each firm with three questionnaires; thus 75 questionnaires were administered to 25 insurance companies; out of the 75 administered questionnaires, 70 were returned while only 68 were fully filled and useable for the study. The 68 questionnaires represented a 90% return rate, also known as completion and response rate. Therefore, an excellent response rate was achieved that meant the results derived from the data were reliable.

**4.3 Data Processing and Cleaning**

Data processing and cleaning involves the manual entry of the raw data collected from the field in SPSS software, after which impossible values and missing values are identified and managed. Impossible values are values that fall out of the expected range on a given scale of measurement (Perry, Brownlow, McMurray, & Cozens, 2004). Frequency distribution tables were adopted in this study to easily show the maximum and minimum values for each variable. After running the frequencies in SPSS, the impossible values found were traced back to the questionnaires and replaced with the valid figure. System missing values and user missing values were uniquely coded in SPSS as 99 indicating missing values to deter them from negatively influencing the study findings. After careful processing steps, the final dataset was free of impossible and missing values.

**4.4 Variable Reduction Test/ Pilot study Results**

The pilot test of this study was carried out in three insurance firms in Kuajok town where 9 respondents participated. Involved in the test were the chief executive officer, finance officer and internal auditor respectively. The reason for this test was to determine the reliability and internal consistency (validity) of the data collection tool (Robson, 2002). To ascertain reliability, Cronbach’s alpha test was employed to determine credibility of the developed questionnaire. A Cronbach’s alpha > .9 provides the excellent reliability and internal consistency while a Cronbach’s alpha > .60 is acceptable for newly developed constructs for data collection. Cronbach’s alpha was utilized because it recommended for producing excellent results in Liker scale data of 0.7 (Brown, 2002). The findings of the test were presented as follows:

**Table 4.2: Pilot Student Results**

|  |  |  |
| --- | --- | --- |
| Construct | Cronbach’s alpha | Adjusted Cronbach’s alpha |
| Financial Innovation | 0.87 | 0.88 |
| Long term investments | 0.62 | 0.63 |
| Equity Investments | 0.70 | 0.74 |
| Assets Base | 0.73 | 0.89 |
| Financial Performance | 0.87 | 0.92 |

Innovation practices had an alpha value of .87 which is a good alpha value, long term investments construct had an alpha value of .62 which is within the acceptable range. Equity investments and assets base had .70 and .73 alpha values respectively which fall under good alpha values of consistency. Financial performance had an alpha value of .87; a value with reliable credibility and internal constancy.

**4.4.1: Content Validity**

In this study, the questionnaires were subjected to two supervisors who examined them to determine whether the research items that were used actually covered the full scope of the measurement constructs. The two course supervisors independently rated the items, and all the items that were agreed and confirmed to have the relevant content were retained.

Using principal component analysis, the researcher's scales that were included in the questionnaire were dissected into their component parts, and composite scores were made for each of those sections. To get the best-defined factor structure for each variable, Varimax rotation was used. Using a threshold of 0.3, the communality of the objects was also looked at to determine whether any parallels existed (Costello & Osborne, 2005).

The variable tables show that communalities were all above 0.3 thresholds (Costello & Osborne, 2005) indicating that items shared some common variance on 5-point Likert scale used. All the five variables had factor loadings above the minimum threshold of 0.4 (Creswell, 2014) and therefore they were all included and declared valid.

## **4.5: Social Demographic Characteristics**

The study sought to establish the background information of the respondents and the organization. The information included gender of the respondents, age of the respondents, level of education, occupation, employee working period and duration of insurance firm in operation. The results are as shown in Table 4.8

**Table 4.8: General information about social demographic characteristics**

| **Social Demographic** | Frequency (%) |
| --- | --- |
| **Gender** |  |
| Female | 27 (40%) |
| Male | 41 (60%) |
| **Age Bracket** |  |
| Below 30 | 25 (37%) |
| 30 – 39 | 27 (40%) |
| 40 – 49 | 11 (16%) |
| Over 50 | 5 (7.4%) |
| **Level of Education** |  |
| Secondary | 9 (13%) |
| Diploma | 22 (32%) |
| Bachelors | 34 (50%) |
| Postgraduate | 3 (4.4%) |

The respondents comprised of 41 males (60%) while the females were 27 (40%) indicating that the majority of the respondents were male. The age group that existed in majority was 30 – 39 age group at 40% followed by those below 30 years (37%) while only 11 and 5 came from age groups between 40 and 49 (16%) and those over 50 years of age at 7.4%. Above 50% of respondents had at least a bachelor’s degree, followed by diploma holders (32%) and 13% only had a secondary school education while only 3 respondents (4.4%) had postgraduate level. Equal proportions of respondents were finance officers and CEOS at 42% and both 27 in number while only 10 respondents comprised internal auditors (16%).

**Table 4.9: General information about social demographic characteristics**

|  |  |
| --- | --- |
| **Social Demographic** | Frequency (%) |
| **Working Period** |  |
| Less than 1 Year | 6 (8.8%) |
| 1 - 5 Years | 30 (44%) |
| 6 - 10 Years | 21 (31%) |
| Over 10 Years | 11 (16%) |
| **Company operation Period** |  |
| Less than 5 Years | 24 (37%) |
| 5 - 10 Years | 15 (23%) |
| Over 10 Years | 26 (40%) |

Majority of the respondents had worked or had been working in their respective institutions for a period between 1 and 5 years (44%), 31% had worked for 6 to 10 years and 16% had worked for over 10 years; only 6 respondents had worked for less than one year making up 8.8% of all respondents. Most of the respondents (40%) came from insurance companies that had been in operation for periods exceeding 10 years; followed by those that had been in operation for less than 5 years (37%) while only 15 had been in operation for a period between 5 and 10 years (23%).

**4.6 Financial Innovation practices**

Financial innovation formed part of the independent variable in this study. It was important to determine the innovativeness of the different insurance companies with the aim of determining their impact on financial performance of those companies. The financial innovations were recorded on a 7-point Likert scale to determine their success in application. The Likert scale ran from very unsuccessful with a score of 1 to very successful with a score of 7. A mean average > 6 was considered very successful, a mean score between 4.5 and 5.9 was considered successful, a mean score of 3 meant that the innovations were somewhat success while mean score < 3 were considered unsuccessful with mean scores less than 2 meant the innovations were very unsuccessful.

**Table 4.9 Descriptive Statistics of financial innovation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial innovation** | N | Min | Max | Mean | Std. Dev |
| Company is usually the first to introduce new products and services in the market | 68 | 1 | 7 | 5.18 | 1.962 |
| Our company extends number of product lines | 68 | 1 | 7 | 5.44 | 1.587 |
| Our company improve old products and make it functional | 68 | 1 | 7 | 5.07 | 1.798 |
| Our company launches customized products according to market demand | 68 | 1 | 7 | 5.90 | 1.508 |
| Our company’s new product/ service introduction has increased in the last years. | 68 | 1 | 7 | 5.78 | 1.413 |
| Our company’s innovation achievement is high | 68 | 1 | 7 | 5.00 | 2.219 |
| Grand Average |  |  |  | 5.395 | 1.75 |

The table above indicates a mean score of 5.4 for statement that the company is usually among the first to introduce a new product to the market. The mean score of 5.4 indicates the companies are successful in introducing new products to the market. The score on the extension of new product lines was successful because the mean score recorded was 5.4. Regarding improvement of old product lines, the mean score was 5.1 indicating that the practice was largely successful. The launch of customized products as directed by public demand was successful to a point of almost being very successful because the mean score was 5.8 which when rounded of was 6.0, a very successful score. A score of 5.7 that translates to successful was recorded for the statement that introduction of new products had increased in the last 10 years. Companies’ innovation achievement had a mean score of 5.0 indicating success. The overall mean financial innovation score was 5.4 with a standard deviation of 1.74; this mean score falls under the successful category in financial innovation. Therefore, on average, financial success in innovation was determined and established.

**4.7 Long-term investment practices**

The second objective of the study was to determine the effect of long-term investments on the financial performance of insurance companies in Juba County, South Sudan.

**Table 4.10: Descriptive statistics of long-term investments**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Long-term investments** | N | Min | Max | Mean | Std. Dev |
| Our investment preference is majorly long-term investments | 68 | 1 | 4 | 1.41 | .696 |
| Our company performance indicators to gauge business are based on long term investments | 68 | 1 | 5 | 2.15 | .868 |
| Our profitability trend in the last 3 years came from long term investments | 68 | 1 | 4 | 2.16 | 1.002 |
| The institution employs the most effective fixed income securities to improve the financial performance | 68 | 1 | 4 | 2.01 | .938 |
| The total valuation of assets that our company owns is based on long term investments | 68 | 1 | 5 | 1.91 | 1.047 |
| Grand mean | 68 |  |  | 1.928 | 0.9102 |

The first statement was meant to test companies’ preference for long term investments; the mean score of 4.5 indicated that most companies utilize the statement on long term investment preference in their investments. The statement on basing performance indicators on long-term investments had a mean score of 3.8 which indicated the utilization of the statement. A mean score of 4.0 for profitability being generated from long-term investments in the last three years indicated agreement that in the majority most companies’ profits are generated from long-term investments. Most companies utilize fixed income securities to improve financial performance since the mean score for statement was 4.0. Finally, the total valuation of assets was based on long-term investments in all insurance companies studied.

**4.8 Equity investment practices**

The third objective of the study was to ascertain how equity investments affected the financial success of insurance companies in Juba County, South Sudan. The direct impact of prior equity investment on financial performance was established using inferential analysis, more especially simple linear regression at the same note descriptive statistics was used to describe the observable characteristics used to gauge earlier equity investment.

The level of utilization of equity investment was measured on 5-point Likert scales ranging from 1 to 5 consecutively from strongly disagree to strongly agree. The agreement with the statement on equity investments was regarded as utilization of the policy for the insurance companies at score above 3.5 while disagreement was established at scores below 3.5 that meant lack of utilization of the policy statement.

**Table 4.11 Showing equity investment practices.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Equity Investments** | **N** | **Min** | **Max** | **Mean** | **Std. Dev** |
| My company has put in place a functional equity investments department. | 68 | 1 | 5 | 2.32 | 1.376 |
| The company relies on equity investments than any other capital | 68 | 1 | 5 | 2.93 | 1.273 |
| Capital structure decisions are formulated based on Equity Investments | 68 | 1 | 5 | 2.41 | 1.225 |
| Management conducts yearly budget cost variance analysis on equity structures. | 68 | 1 | 5 | 2.04 | .984 |
| The company has fully utilized the equity facility according to its capabilities | 68 | 1 | 5 | 2.22 | 1.524 |
| My company has effective systems of forecasting returns on equity investments. | 68 | 1 | 6 | 2.40 | 1.478 |
| Grand mean | 68 |  |  | 2.39 | |  | | --- | | 1.31 | |

**Source: Researcher field Data (2022)**

The establishment of equity investments department had a mean score of 3.7, thus indicating the utilization of the policy among the studied insurance companies. The reliance on equity investments more than any other source of capital was not utilized since the mean score was below 3.5. The statement on capital structures being based upon equity investments was utilized since the mean score was 3.6. The studied companies indicated that management conducted yearly analysis on equity investments since the mean score for the policy statement was 4.0. The utilization of equity facilities had a mean score of 4.0 thereby indicating its utilization. The existence of effective systems that forecast returns on equity investment was underutilization since it had a mean score of 3.6.

**4.9 Asset Base of insurance firms in Juba County, South Sudan**

The fourth objective of the study was to determine the moderating effect of asset base between investment practices and financial performance of insurance firms in Juba County, South Sudan.

The asset base construct was used in the conceptual model as an intervening variable that was measured on a 5-point Likert scale ranging from strongly disagree [1] to strongly agree [5]. The capability of the asset base to improve financial performance was determined at a level of > 3.5 mean score. The lack of positive enhancement to the financial performance of insurance companies was established at mean score below 3.5.

**Table 4.12: Asset base on financial performance of insurance firms**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial Performance** | **N** | **Min** | **Max** | **Mean** | **Std. Dev** |
| Our Asset base competes favorably with our competitors | 67 | 1 | 5 | 1.69 | .857 |
| The total valuation of assets that our company owns enhances our profitability | 68 | 1 | 5 | 1.75 | .720 |
| The company would sell off their investments if it does not have enough money to settle claims | 68 | 1 | 4 | 1.88 | .802 |
| Our financial strength to meet the ongoing policyholders ‘obligations is excellent | 68 | 1 | 4 | 1.57 | .630 |
| Our Asset base supports our company's survival | 68 | 1 | 7 | 2.18 | 1.392 |
| Firm Size improve the organization performance by at least 75% | 68 | 1 | 7 | 2.69 | 1.764 |
| Grand mean | 67 |  |  | 1.96 | 1.0275 |

**Source: Researcher’s Field Data, 2022**

The ability of insurance companies to compete favorably with competitors on the basis of assets base was established at a high mean score of 7.3. The profitability of companies being based upon valuation of all company assets was established at a high mean score of 5.3; with at mean score of 4.9, insurance companies reported that they could settle their claims by selling some of their assets if the claims exceeded the money available. However, the companies study reported that they possessed adequate financial strength to excellently meet all financial obligations since the score was 6.4. The companies also reported that their asset base allowed them to survive in the market and that the size of the firm improved the organization’s performance by at least three quarters; the mean scores of 5.1 and 5.8 established the inference.

**4.10 Financial Performance**

**4.10.1 Descriptive Statistics of financial performance on insurance firms**

The financial performance of studied insurance companies was established using a 7-point Likert scale. The scale ranged from very low [1], low [2], somewhat low [3], neither low nor high [4], somewhat high [5], high [6] very high [7]. The purpose of this study mean score > 6.5 was used to establish very high performance, <4.5 > 6.5 indicated high performance, <3.5>4.5 indicated somewhat high performance, mean scores <2.5 >3.5 indicated nether higher nor low performance while mean scores <1.5> 2.5 established low performance and mean scores <1.5 indicated very low performance.

**Table 4.13 Descriptive Statistics of financial performance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial performance** | N | Min | Max | Mean | Std. Dev |
| Our organization has had growth on net profit earnings from the business over the past five years | 68 | 1 | 7 | 5.47 | 1.298 |
| Our company has recorded improved Return on Investment (ROI) over the last five years | 68 | 1 | 7 | 4.69 | 2.017 |
| Our company has registered growth in turnover / sales from the business over the past five years | 68 | 1 | 7 | 5.84 | 1.345 |
| Our company’s profits have been higher compared to assets and liabilities | 68 | 1 | 7 | 5.56 | 1.331 |
| Our organization has registered growth in turnover compared to the competitors over the past five years | 68 | 1 | 7 | 5.76 | 1.383 |
| The interest expense to total operating revenue ratio is low (meaning the firm may be less reliant on overdraft) | 68 | 1 | 7 | 5.71 | 1.282 |
| The insurance company is more inclined to decisions that enhance returns on its physical capital rather than relational capital | 68 | 1 | 77 | 6.79 | 8.703 |
| We have competitive advantage and superior firm performance | 68 | 2 | 7 | 6.12 | 1.100 |
| The firm budget outrun ratio is low (meaning the firm always spent less  than it had budgeted) | 68 | 1 | 7 | 5.74 | 1.442 |
| Our organizations’ shares outstanding are greater than the net income | 68 | 1 | 7 | 5.18 | 1.992 |
| Our firm financial leverage has increased over the last five years | 68 | 2 | 7 | 6.03 | .962 |
| Our firm has experienced an increase in gross premiums collected over the last 5 years | 68 | 1 | 7 | 5.96 | 1.215 |
| Our firm has experienced an increase in assets over the last 5 years | 68 | 1 | 7 | 5.81 | 1.879 |
| Our firm has a higher market value | 68 | 1 | 7 | 6.37 | 1.158 |
| Valid N (listwise) | 68 |  |  |  |  |

The studied insurance firms reported net profit over the last five years since the performance of the mean score high 5.5. Improvement in the return-on-investment ROI over the last five years had been established with high performance (5.2). The growth in turnover sales had high performance [6.1] for the past five years. Companies started reported to having higher assets than liabilities [6.0] as well as registering growth in the past 5 years [5.8]. The interest expense to total revenue operating ratio was low [6.3] meaning that the companies would be vulnerable in cases of overdrafts. The companies recorded a high preference on physical capital rather than relational capital (4.6). The companies also had a superior competitive advantage over their competitors. The firms always spent less than their budget, with financial leverage over a period of 5 years. The study also reported a high increase in gross premium over the last 5 years as well as assets and market value owing to the high-performance scores.

**4.10.2 Overall Construct Scores**

The overall mean scores for each construct are illustrated in Table 4.14 with their corresponding standard deviations. All the constructs indicate high utilization and high performance except for equity investments which were moderately utilized.

**Table 4.14 showing the descriptive statistics of the overall construct of financial performance.**

|  |  |  |
| --- | --- | --- |
| Construct | Mean | Standard Deviation |
| Financial Innovation | 5.394607833 | 1.747769167 |
| Long term investments | 4.070588 | 0.9103384 |
| Equity Investments | 3.642156833 | 1.225756633 |
| Assets Base | 5.804902 | 0.893041217 |
| Financial Performance | 5.811086 | 1.9362046 |

**4.10.4 Relationship between investment practices and financial performance**

The relationship between the performance of insurance companies and their respective investment practices were established by use of Pearson’s bivariate correlation which determined the strength and direction of correlation between variables. The significance level of correlation was determined at 95% confidence interval which meant that a p value < 0.05 indicated statistical significance.

**Table 4.16 shows the relationship between investment practices and financial performance.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Tool | FP | IP | LTI | EI | AB |
| FP | Pearson Correlation | 1 | .302\* | .286\* | -.180 | .173 |
| Sig. (2-tailed) |  | .012 | .018 | .141 | .159 |
| N | 68 | 68 | 68 | 68 | 68 |
| IP | Pearson Correlation | .302\* | 1 | -.347\*\* | .085 | -.346\*\* |
| Sig. (2-tailed) | .012 |  | .004 | .490 | .004 |
| N | 68 | 68 | 68 | 68 | 68 |
| LTI | Pearson Correlation | -.286\* | -.347\*\* | 1 | .292\* | .060 |
| Sig. (2-tailed) | .018 | .004 |  | .016 | .627 |
| N | 68 | 68 | 68 | 68 | 68 |
| EI | Pearson Correlation | -.180 | .085 | .292\* | 1 | -.083 |
| Sig. (2-tailed) | .141 | .490 | .016 |  | .503 |
| N | 68 | 68 | 68 | 68 | 68 |
| AB | Pearson Correlation | -.173 | -.346\*\* | .060 | -.083 | 1 |
| Sig. (2-tailed) | .159 | .004 | .627 | .503 |  |
| N | 68 | 68 | 68 | 68 | 68 |

**Researcher’s Field Data, 2022.**

The Pearson’s bivariate correlation between financial performance and innovation practices was (r =.302); a strong positive correlation that meant increasing innovations would eventually lead to increased or improved financial performance; the correlation coefficient was statistically significant (p = .012). Long term investment practices were strongly correlated with a coefficient of (r= .286); a statistically significant coefficient (p =.018). The positive correlation coefficient meant that an increase in long term investments significantly increased the financial performance of insurance performance. Equity investment and financial performance were negatively correlated with a coefficient of (r =-.180); this negative correlation was weak and statistically insignificant. Asset base construct and financial performance were positively correlated, which meant that an increase in asset base led to higher financial performance of the insurance companies; the Pearson’s correlation coefficient was (r = .173), a strong positive correlation that was statistically insignificant (p-value = .159, ns).

**4.11 Regression Analysis**

Four different linear regression analyses were conducted to answer every objective and hypotheses and outlined in this document. Financial performance was the outcome variable while innovation practices, long-term investments, equity investments and asset base were the predictor variables or independent variables.

**4.11.1. The effect of financial innovations on financial performance**

A linear regression model between financial innovations and financial performance conducted to determine the effect of the former on the latter produced results as illustrated in tables below.

**Table 4.17**

**showing the model summary of a regression analysis between financial performance and financial innovations of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .302a | .091 | .077 | 1.04 |
| a. Predictors: (Constant), Financial innovation | | | | |

The model summary results illustrated in Table 4.17 reported an adjusted r squared of 0.077. The adjusted R-squared indicated the amount of variability in financial performance explained by financial innovations. The result meant that 7.7% of the variability in financial performance could be as a result of financial innovations while 96.3% was comprised of residuals.

**Table 4.18**

**showing the ANOVA results of a regression analysis between financial performance and financial innovations of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 7.152 | 1 | 7.152 | 6.600 | .012b |
| Residual | 71.526 | 66 | 1.084 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Financial innovation | | | | | | |

The results illustrated in Table 4.18 (sig = 0.012 < 0.05), indicated that the model with financial innovation was better than the model with only the intercept which meant that the model with the financial innovation model made significant prediction power to the whole regression.

**Table 4.19 showing the coefficients of a regression analysis between financial performance and financial innovations of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficients** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 4.504 | .515 |  | 8.745 | .000 |
| Financial innovation | .238 | .093 | .302 | 2.569 | .012 |
| a. Dependent Variable: Financial Performance | | | | | | |

The results as illustrated in Table 4.19 indicated that one unit increase in financial innovations resulted in 0.238 increase in financial performance. The beta coefficient of financial innovation reported the marginal effect on financial performance when it in increased by one unit. The model was statistically significant at 95% confidence interval since the p value (p-value = 0.012) was less than 0.05.

H01: Financial innovations have a significant effect on financial performance on insurance firms in Juba count.

The results for the test shown that coefficients for innovation practices on financial performance were significant base β (.238), t (2.569), p (0.012<0.05) respectively. These coefficients mean that for every one unit increase in innovation practices, financial performance increased by 24%. Therefore, the study rejects the null hypothesis and concludes that financial innovations have notable impact on performance of insurance firms which concurred with Githakwa (2011) who found out that Kenyan commercial banks saw financial innovation as a way to improve profit performance which when implementation allowed commercial banks saved significant resources and saved operating costs, as well as lowered the cost per transaction in bank operations. Similar positive result was found by Rajapathirana and Hui (2017) whose findings led to more effective management of innovation capability, which assisted insurance company management and allowed them produce more effective innovation outcomes and generate greater performance.

**4.11.2. The effect of long-term investments on financial performance**

**Table 4.20**

**showing the model summary of a regression analysis between financial performance and long-term investments of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .286a | .082 | .068 | 1.046 |
| a. Predictors: (Constant), Long-term Investment | | | | |

The results displayed in Table 4.20 where adjusted R squared was 0.068 reported the variability in financial performance accounted for by long term investments of insurance firms of Juba County in South Sudan. The results when interpreted meant that 7% of variability in financial performance could be attributed to long-term investments of insurance firms.

**Table 4.21**

**showing the ANOVA results of a regression analysis between financial performance and long-term investments of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 6.452 | 1 | 6.452 | 5.895 | .018b |
| Residual | 72.227 | 66 | 1.094 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Long-term Investment | | | | | | |

The results depicted in the ANOVA Table 4.21 indicated that a model with long-term investments had a significance effect on the overall model (sig = 0.018< 0.05) compared to the model contained only the intercept. Therefore, the model containing long-term investment possessed significant predictive power.

**Table 4.22**

**showing the coefficients of a regression analysis between long-term investments and financial performance of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficients** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 7.158 | .579 |  | 12.369 | .000 |
| Long-term Investment | -.710 | .293 | -.286 | -2.428 | .018 |
| a. Dependent Variable: Financial Performance | | | | | | |

The coefficients of a linear regression analysis between financial performance as a dependent variable and long-term investments as an independent variable indicated that long-term investment had a significant effect on financial performance of insurance companies in Juba County, South Sudan. The standardized beta coefficient (β = -0.286) indicated the marginal effect of long term investment of insurance firms in the study area.

H02: Long term investment significantly affects the financial performance of insurance firms in Juba County, South Sudan

Long term investments coefficients were β (-.710), t (-2.428), p (.018>0.05). The results meant that one-unit increase in long term investment led to a 71% decrease in financial performance of insurance firms in Juba County, therefore, the study rejected the null hypothesis and concluded that long-term investment demerits financial performance of insurance firms in Juba County. Long term investments are associated with high risks in volatile democracies such as experience in South Sudan. The hypothesis thus points to the disadvantage of investing in long term projects for the performance of insurance firms due to insecurity that scares away investors.

**4.11.3. The effect of equity investments on financial performance**

The results of a linear regression model run between equity investments and financial performance of data collected from insurance firms in Juba County reported a significant relationship between the independent and dependent variables. Equity investments had a statistically significant effect on the financial performance of insurance firms in Juba County.

**Table 4.23**

**showing the model summary of a regression analysis between equity investments and financial performance of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .180a | .032 | .018 | 1.07 |
| a. Predictors: (Constant), Equity Investment | | | | |

The results of Table 4.24 where the adjusted R squared was 0.018 indicated that equity investment accounted for 2% of variability in financial performance. The unadjusted R squared showed that only 3% (R2 = 0.032) of variability in financial performance could be explained by equity investments.

**Table 4.24**

**showing the ANOVA results of a regression analysis between equity investments and financial performance of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 2.553 | 1 | 2.553 | 2.213 | .142b |
| Residual | 76.126 | 66 | 1.153 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Equity Investment | | | | | | |

The Anova results depicted in Table 4.24 were meant to determine whether the addition of equity investment into the model would lead to better prediction than model only containing the intercept. The significance value (sig 0.142 > 0.05) indicated that the model with equity investment did not lead to any improvement in predictive power in the model.

**Table 4.25**

**showing the coefficients of a regression analysis between equity investments and financial performance of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficients** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 7.158 | .579 |  | 12.369 | .000 |
| Equity Investment | -.275 | .293 | -.286 | -1.328 | .038 |
| a. Dependent Variable: Financial Performance | | | | | | |

H03: Equity investment has a significant effect on the financial performance of insurance firms in Juba County.

The results of equity investment showed statistical significance with financial performance which was confirmed by β (-.275), t (-1.319), p (.038<0.05). The results meant that one unit increase in equity investments led to a decrease of 28% in financial performance, therefore, the null hypothesis was rejected. The findings were in agreement with the empirical study by Palea, (2022) whose conclusion results discouraged equity investments, leading to fewer risk-sharing and long-term investments in economies.

**4.11.3. The moderating effect of asset base on financial performance of insurance companies in Juba County.**

**The moderating effect of asset base on financial performance and financial innovations of insurance companies in Juba County.**

**Table 4.26**

**showing the model summary of a regression analysis between financial innovations and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .429a | .184 | .159 | .994 |
| a. Predictors: (Constant), Asset\_base\_FI, Zscore: Financial innovation | | | | |

The model summary results illustrated in Table 4.26 reported an adjusted R squared of 1.59. The indicated that 16% of variability in financial performance could be explained by financial innovations with asset base as a moderating variable.

**Table 4.27**

**showing the ANOVA results of a regression analysis between financial innovations and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 14.461 | 2 | 7.231 | 7.319 | .001b |
| Residual | 64.217 | 65 | .988 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Asset\_base\_FI, Zscore: Financial innovation | | | | | | |

The ANOVA table results illustrated in Table 4.27 which reported statistical significance indicated that addition of financial innovation and asset base a moderator variable significantly enhanced the predictive power of the model (sig 0.001 < 0.05).

**Table 4.28**

**showing the coefficients of a regression analysis between financial innovations and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 5.867 | .124 |  | 47.270 | .000 |
| Zscore: Financial innovation | .131 | .141 | .121 | .926 | .358 |
| Asset\_base\_FI | .238 | .088 | .354 | 2.720 | .008 |
| a. Dependent Variable: Financial Performance | | | | | | |

The results of Table 4.28 (β =.354, t=2.720, sig = .008), reported statistical significance for the moderator effect of asset base. The results thus indicated that asset base had a significant moderating effect on financial innovation and financial performance.

**The moderating effect of asset base on financial performance and long-term investments of insurance companies in Juba County.**

**Table 4.29**

**showing the model summary of a regression analysis between long-term investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .466a | .218 | .193 | .97 |
| a. Predictors: (Constant), Asset\_base\_LTI, Zscore: Longterm Investment | | | | |

The results as illustrated in Table 4.29, (R2 = .218, Adj, R2 = .193, std. error = .97), indicated that long-term investments with asset base as a moderating variable accounted for 22% of variability in financial performance of insurance firms in Juba County of South Sudan.

**Table 4.30**

**showing the Anova results of a regression analysis between long-term investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 17.113 | 2 | 8.557 | 9.034 | .000b |
| Residual | 61.565 | 65 | .947 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Asset\_base\_LTI, Zscore: Longterm Investment | | | | | | |

The anova results as illustrated in Table 4.30 (F = 9.034, sig < 0.001) indicated that inclusion of long-term investment as independent variable and asset base as a moderating variable performed better than the model having only the intercept.

**Table 4.31**

**showing the model coefficients of a regression analysis between long-term investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 5.804 | .118 |  | 49.131 | .000 |
| Zscore: Long-term Investment | -.124 | .131 | -.114 | -.945 | .348 |
| Asset\_base\_LTI | -.287 | .086 | -.406 | -3.355 | .001 |
| a. Dependent Variable: Financial Performance | | | | | | |

The results of Table 4.31 (β = -.406, t= -3.355,sig < .001), showed that asset base had a significant moderating effect on financial performance and long-term investments of insurance firms in Juba County of South Sudan.

**The moderating effect of asset base on financial performance and equity investments of insurance companies in Juba County.**

**Table 4.32**

**showing the model summary of a regression analysis between equity investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model Summary** | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .349a | .122 | .095 | 1.03 |
| a. Predictors: (Constant), Asset\_base\_EI, Zscore: Equity Investment | | | | |

The model summary results illustrated in Table 4.32 (R2 = .122, Adj. R2 = .095, std. error =1.03) showed that equity investment with asset base as a moderating variable accounted for 12% of variability in financial performance.

**Table 4.33**

**showing the model summary of a regression analysis between equity investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 9.569 | 2 | 4.784 | 4.500 | .015b |
| Residual | 69.110 | 65 | 1.063 |  |  |
| Total | 78.678 | 67 |  |  |  |
| a. Dependent Variable: Financial Performance | | | | | | |
| b. Predictors: (Constant), Asset\_base\_EI, Zscore: Equity Investment | | | | | | |

The Anova table results of Table 4.33 (F = 4.5, sig = 0.015) indicated that the model which included equity investment and asset base as a moderating variable was better than the intercept model.

**Table 4.34**

**showing the model coefficients of a regression analysis between equity investment and financial performance with asset base as a moderator variable, of insurance companies in Juba County, South Sudan**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Coefficientsa** | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 5.792 | .125 |  | 46.312 | .000 |
| Zscore: Equity Investment | -.236 | .127 | -.218 | -1.858 | .068 |
| Asset\_base\_EI | -.301 | .117 | -.301 | -2.569 | .013 |
| a. Dependent Variable: Financial Performance | | | | | | |

The model coefficients as illustrated in Table 4.34 regarding the moderating effect of asset base on the relationship between equity investment and financial performance (β=-.301, t = -2.569, p = 0.014), reported that asset had a significant moderation effect on the relationship between financial performance and equity investment.

H04: Asset base had statistically significant moderation effect on the relationship between investment practices and financial performance of insurance firms in Juba. This investigation was supported by the study done by Abbasi and Malik (2015) who pinpointed the moderating effect that assets had on firm performance and firm growth. It was concluded that firm size determined the moderating inspiration on firm performance and firm growth. Hence recommended that management of firms should be keen to evaluate their firm size whenever they are pursuing firm growth as a strategy to improve their firm performance.

**4.12. Assumptions of Multiple Linear Regressions**

**4.12.1 Normality**

If the dataset is regularly distributed, the assumption of normality establishes whether the distribution of means across the samples is normal. The null hypothesis states that the scores for all criteria did not significantly deviate from a normal distribution.

**Table 4.21 Normality test of financial performance**

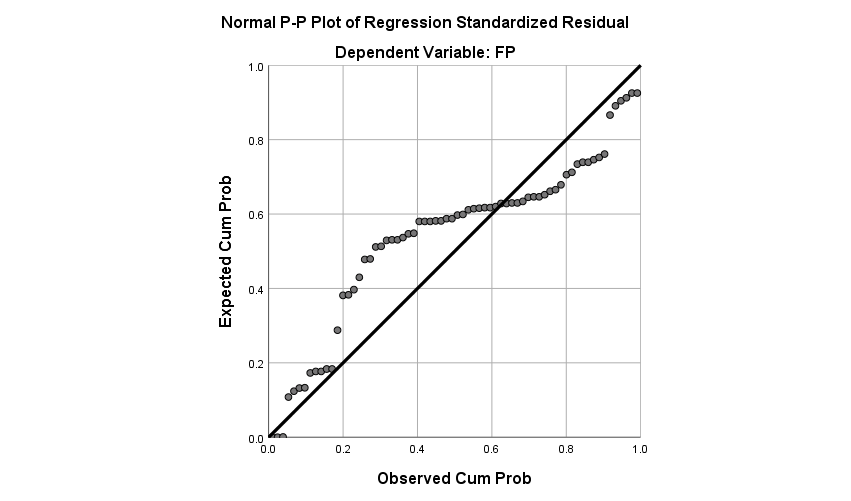
|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tests of Normality** | | | | | | |
|  | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
| Statistic | df | Sig. | Statistic | df | Sig. |
| FP | .249 | 68 | .000 | .630 | 68 | .000 |
| LTI | .161 | 68 | .000 | .939 | 68 | .002 |
| EI | .108 | 68 | .046 | .961 | 68 | .031 |
| AB | .205 | 68 | .000 | .878 | 68 | .000 |
| 1. Lilliefors Significance Correction   **Source: Field Data (2022)** | | | | | | |

According to the Shapiro-Wilk test in table 4.17 above, the p-value results for all variables showed were greater/larger than the 0.05 level of significance. Financial innovation with statistical value (.248, p-value=.000<0.05, Long-term investment (Stat .161, p-value .002<0.05), equity investment (Stat value .108, p-value .031>0.05), and Asset base (stat. value .205, p-value .000<0.05). Therefore, it is necessary to rule out the null hypothesis and establish that the scores for all variables were distributed normally.

**4.12.2 Linearity**

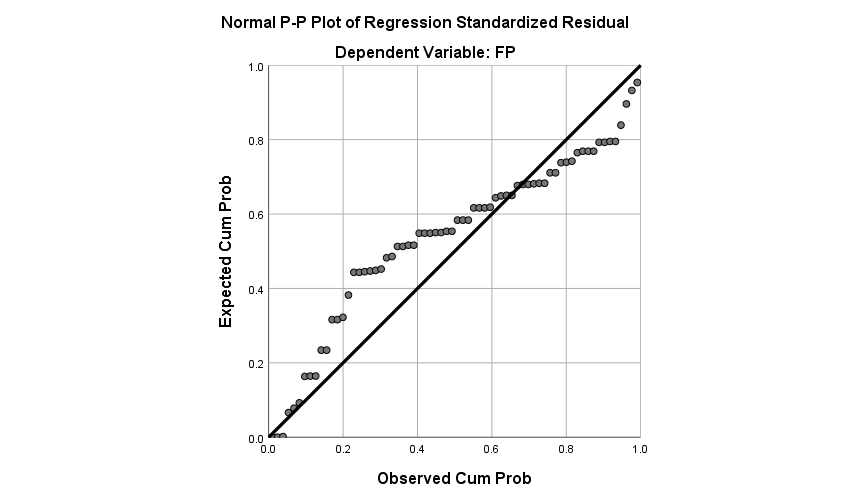
The study tested the linearity between independent variables and financial performance using normal probability plots of the insurance firms as shown below:

**Financial performance and Innovative practices**

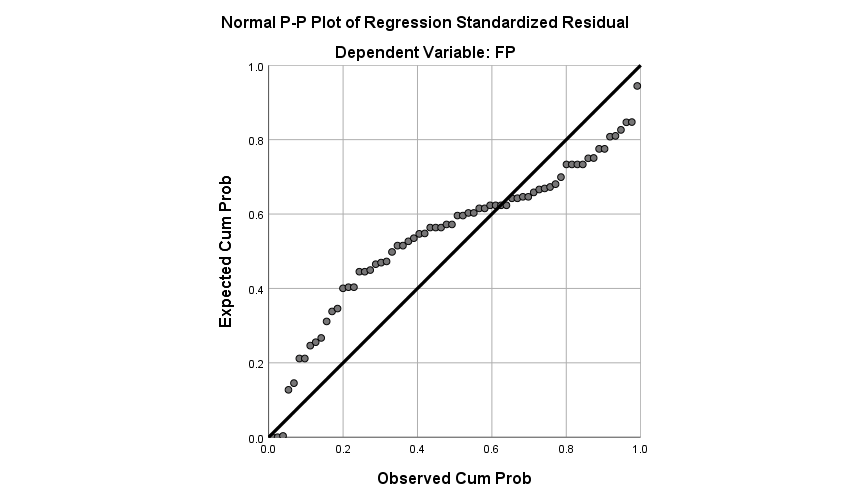


**Figure 4.1Normal P-P Plot of Regression Standardized Residual for innovative practices and financial Performance (Return on Asset)**

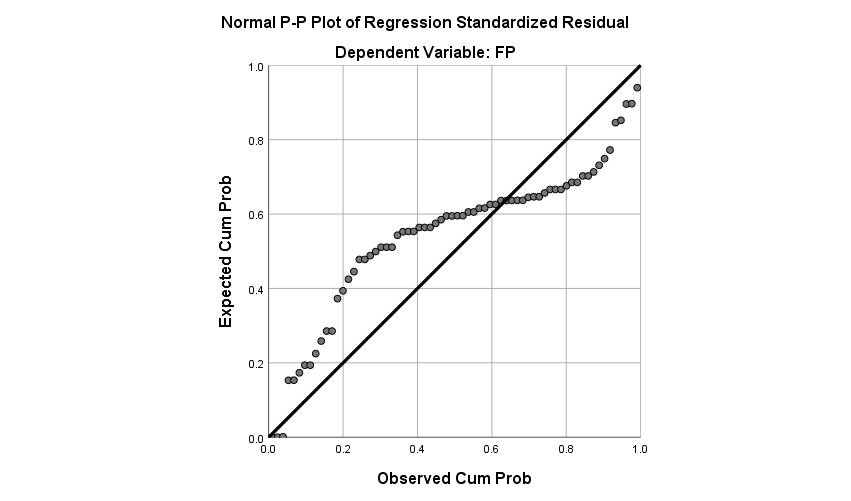
**Figure 4.2 Financial performance and long-term investments**



**Figure 4.3 Financial performance and equity Investments**



**Figure 4.4 Financial Performances and Asset Base**



The diagonal lines from the bottom line to the top right show a linear relationship between independent variables, and the dependent variable (financial performance) of insurance firms in Juba County. Therefore, the linearity among variables was attained.

**Table 4.22: Collinearity**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Collinearity Diagnostics** | | | | | | | | |
| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | | |
| (Constant) | IP | LTI | EI | AB |
| 1 | 1 | 4.792 | 1.000 | .00 | .00 | .00 | .00 | .00 |
| 2 | .094 | 7.123 | .00 | .20 | .02 | .03 | .32 |
| 3 | .068 | 8.408 | .00 | .17 | .12 | .28 | .17 |
| 4 | .037 | 11.319 | .01 | .01 | .43 | .68 | .15 |
| 5 | .008 | 23.953 | .99 | .62 | .42 | .00 | .35 |
| a. Dependent Variable: FP | | | | | | | | |

**Source: Field Data, 2022**

To determine the connection between financial innovation and the financial success of insurance companies in South Sudan, multiple linear regression analysis was used. In the multiple regression study, the Karl Pearson correlation coefficient (r) equivalent beta(β) was employed to assess the relationship (Sekaran,2003).

**4.11.4 Chapter summary**

All the constructs had high agreement scores that proved utilization of policies and high performance of insurance companies. The studied investment practices with the exception of equity investment reported positive correlations with financial performance. Equity investment decreased financial performance while innovation practices, long term investment and asset base led to increment in firms’ financial performance.

**CHAPTER FIVE**

**DISCUSSION**

**5.1 Introduction**

This chapter discusses the summary of the findings, conclusions, recommendations and the suggested further areas of study.

* 1. **Summary of the Findings**

This chapter discusses the significance or the implications of the results illustrated in the previous chapters. The main objective of this study was to establish the effect of investment practices and the financial performance of insurance firms in Juba County, South Sudan. The specific objectives were to determine the effect of financial innovations on financial performance of insurance firms in juba county, South Sudan; to examine the effect of long- term investment on financial performance of insurance firms in Juba county, South Sudan; to establish the relationship between equity investment and financial performance of insurance firms in Juba county, South Sudan; and to determine the moderating effect of asset base relationship between investment practices and performance of insurance firms in Juba county South Sudan. The specific objectives of the study are discussed in the preceding sections of this document.

**5.2.1 Effect of financial innovations on financial performance of insurance firms**

The first objective of this study sought to determine the effect of financial innovation or innovation practices on financial performance of insurance companies in Juba County of South Sudan. Innovation practices formed part of the independent variables predicting financial performance. The effect of innovation practices on financial performance was determined by use of a Pearson’s correlation analysis multiple linear regression. A strong positive correlation coefficient was established between innovation practices and financial performance. The correlation was statistically significant which indicated a significant relationship. The coefficient of the linear regression was .18 though statistically insignificant. The coefficient indicated that every one-unit increase in innovation practices led to 18% increase in financial performance of insurance companies in Juba County.

**5.2.2 Effect of long-term investment on financial performance of insurance firms**

The effect of long-term investments on financial performance was established by use of correlation and regression analysis. The correlation between long term investments and financial performance was strong positive correlation (.286). The correlation was statistically significant. Therefore, the effect of long-term investment positively correlates with financial performance. The results showed that over reliance or over focus on long term investment has a positive effect on financial performance of insurance companies in Juba County. The regression analysis confirmed the results of the correlation analysis. The coefficient for long-term investment as predictor for financial performance was positive (1.91) hence, the coefficient was statistically significant. The results meant that an overreliance on long-term investment led to a 19% increase in financial performance at every point increase. Therefore, the over reliance on long term investments has beneficial impacts on financial performance of insurance companies.

**5.2.3 The relationship between equity investment and financial performance of insurance firms**

The relationship between equity investments and financial performance of insurance firms in Juba County was determined by use correlation and regression analysis. The correlation coefficient was -.180; a negative correlation that was statistically insignificant. The negative correlation indicated an indirect correlation that meant an increase in equity investments led to reduced financial performance. The regression analysis confirmed the correlation analysis because the equity investment coefficient was negative (-.275). This coefficient meant that an increase in equity investment reduced performance of insurance firms by 28%. Therefore, the conclusion of this study is that over-reliance on equity investments reduced financial performance of insurance firms in Juba County.

**5.2.4 Determine the moderating effect of asset base relationship between Investment Practices and performance of insurance firms**

The effect of asset base on financial performance as a moderating variable was conducted through a two-step process; the first step was a correlation analysis which indicated that financial performance and asset base are significantly positively correlated (.173). This meant that the asset base statements for studied insurance firms translated to financial improvement in performance of insurance firms in Juba County. The regression analysis without base assets being a moderating variable had a positive statistically significant coefficient of .193. The coefficient was translated to mean that the asset base statement policies positively translated to improvement in financial performance of insurance firms. The asset base policies of the insurance companies increased financial performance by 19%. Asset base were later analysed as a moderating variable. The interaction effect of asset base was statistically significant; a conclusion that was derived from a partial F test. Asset base of the studied insurance firms did not moderate or mediate their financial performance. This meant that there was no hidden effect of asset base towards the financial performance of studied insurance firms.

**5.3 Conclusion of the chapter**

The performance of insurance firms is affected or determined by several factors, some of which were used in this study. The determinants of financial performance used in this study included asset base as a moderating variable, innovation practices, long term investments and investments in equities. Among all the studied determinants, only equity investment has weak and negative correlation with financial performance. Innovation practices had strong and positive correlation with financial performance as well as being positive significant determinant of positive financial performance of insurance firms in Juba County. Long term investments practices and policies adopted by insurance firms in Juba County had positive influence or relationship with financial performance on policies and practices applied by Juba County insurance firms. The moderating effect of asset base on financial performance had significant impact on financial performance. The asset base that most insurance companies have in Juba County translated a positive impact on financial performance.

* 1. **Recommendations of the study**

The study would enable the insurance firms to use the best investment practices to optimize their profits.

1. The Insurance Regulatory Authorities should formulate investment practices policies that may encourage investment opportunities among insurance companies in South Sudan.
2. The top management and investment managers of insurance company should adopt investment choices that would improve their financial performance.
3. The Manager and investors of insurance firms should make sound investment decisions by avoiding risk projects.
4. The top management and investors should identify and develop more effective investment practices to boost their financial performances
5. The study should provide benchmarking on asset base systems that could be adopted by the insurance firms to settle their claims.
6. The investigation could be used by academic pioneers to boost their academic purposes.

**5.5 Suggestion for further study**

The findings established that financial innovations, long-term investment and asset base policies are significant moderators of financial performance of insurance firms. However, insurance policies on equity investments were found to have negative effect on the relationship between investment practices and financial performance. Therefore, further research should investigate individual policies on financial innovations, long term investment and equity investments of insurance firms in Juba County.

The study used primary data; however, further studies should use secondary data and therefore operationalize financial innovation, long term investment and equity investment as well as financial performance using secondary data obtainable from individual insurance firms to compare the findings.

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# APPENDICES

# APPENDIX I: Letter of Introduction

Dhor Margaret Kuei

P.O. BOX 50200 - 16699

Bungoma.

Dear Respondent,

**RE: FILLING QUESTIONNAIRE**

I am a postgraduate student at Kibabii University pursuing a masters of degree in Business Administration (Finance Option). This study tries to investigate the relationship between financial innovation and financial performance of insurance firms in Juba county, South Sudan. Attached herewith, is a questionnaire, which you are required to fill as a respondent. Any information provided will be used for academic purpose only. This information will be treated with utmost confidentiality.

Your contribution will be highly appreciated.

Yours faithfully,

Dhor Margaret Kuei

# APPENDIX II: QUESTIONNAIRE

This questionnaire is aimed at seeking information about research on investment practices and financial performance of insurance firms in Juba County, South Sudan. You have been selected to participate in the study.

Please answer the following questions by ticking appropriately in the space provided.

SECTION A: Demographic information

1. Gender: Male [ ] Female [ ]
2. Age of the respondent

Below 30 years [ ] 30-39 years [ ] 40-49 years [ ] Over 50 years [ ]

1. Level of education

Secondary level [ ] Diploma level [ ] Bachelor’s degree [ ] Postgraduate [ ]

1. Occupation

Finance Officer [ ] Chief Executive Officer [ ] Internal Auditor [ ]

1. How long have you been working in this organization?

Less than 1 year [ ] 1-5 years [ ] 6-10 years [ ] Over 10 years[ ]

1. How long has this insurance firm been in operation?

Less than 5 years [ ]

5-10 years [ ]

Over 10 years [ ]

**SECTION B: FINANCIAL INNOVATIONS**

How would you rate the level of achievement of the following innovative performance items in your organization in the last three years compared to the previous years? (1= very unsuccessful 2= unsuccessful 3= somewhat unsuccessful 4= neither successful nor unsuccessful 5= somewhat successful 6= successful 7= very successful)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Innovation Statement* | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | Our company is usually the first to introduce new products and services in the market |  |  |  |  |  |  |  |
| 2 | Our company extends number of product lines |  |  |  |  |  |  |  |
| 3 | Our company improves old products and makes it functional |  |  |  |  |  |  |  |
| 4 | Our company launches customized products according to market demand |  |  |  |  |  |  |  |
| 5 | Our company’s new product/ service introduction has increased in the last years. |  |  |  |  |  |  |  |
| 6 | Our company’s innovation achievement is high. |  |  |  |  |  |  |  |

**SECTION C: LONG TERM INVESTMENTS**

To what extent do you agree to the following statements that relate to the long term investment decisions in regard to financial performance. Tick in the box the most appropriate answer. Strongly Agree (SA) [1], Agree (A) [2], Neither agree nor disagree (N) [3], Disagree (D) [4], Strongly disagree (SD) [5]

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Long term Investment | 1  SA | 2  A | 3  N | 4  D | 5  SD |
| 1 | Our investment preference is majorly long-term investments |  |  |  |  |  |
| 2 | Our company performance indicators to gauge business are based on long term investments |  |  |  |  |  |
| 3 | Our profitability trend in the last 3 years came from long term investments |  |  |  |  |  |
| 4 | The institution employs the most effective fixed income securities to improve the financial performance |  |  |  |  |  |
| 5 | The total valuation of assets that our company owns is based on long term investments |  |  |  |  |  |

**SECTION C: EQUITY INVESTMENT**

To what extent do you agree to the following statements that relate to equity investment in regard to financial performance. Tick in the box the most appropriate answer. Strongly Agree (SA) [1], Agree (A) [2], Neither agree nor disagree (N) [3], Disagree (D) [4], Strongly disagree (SD) [5]

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Equity Investment | 1  SA | 2  A | 3  N | 4  D | 5  SD |
| 1 | My company has put in place a functional equity investments department. |  |  |  |  |  |
| 2 | The company relies on equity investments than any other capital |  |  |  |  |  |
| 3 | Capital structure decisions are formulated based on Equity Investments |  |  |  |  |  |
| 4 | Management conducts yearly budget cost variance analysis on equity structures. |  |  |  |  |  |
| 5 | The company has fully utilized the equity facility according to its capabilities |  |  |  |  |  |
| 6 | My company has effective systems of forecasting returns on equity investments. |  |  |  |  |  |

**SECTION D: ASSET BASE**

To what extent do u agree to the following statements that relates to asset base in regard to financial performance. Tick in the box the most appropriate answer. Strongly Agree (SA) [1], Agree (A) [2], Neither agree nor disagree (N) [3], Disagree (D) [4], Strongly disagree (SD) [5]

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Asset based | 1  SA | 2  A | 3  N | 4  D | 5  SD |
| 1 | Our Asset base competes favorably with our competitors |  |  |  |  |  |
| 2 | The total valuation of assets that our company owns enhances our profitability |  |  |  |  |  |
| 3 | The company would sell off their investments if it does not have enough money to settle claims |  |  |  |  |  |
| 4 | Our financial strength to meet the ongoing policyholders ‘obligations is excellent |  |  |  |  |  |
| 5 | Our asset base supports our company's survival |  |  |  |  |  |
| 6 | Firm Size improves the organization performance by at least 75% |  |  |  |  |  |

**SECTION E: FINANCIAL PERFORMANCE**

How would you rate the level of achievement of the following financial performance items in your organization in the last three years compared to the previous years? (1=very low 2=low 3= somewhat low 4= neither high nor low 5= somewhat high 6= high 7= very high)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Our organization has had growth on net profit earnings from the business over the past five years | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2 | Our company has recorded improved Return on Investment (ROI) over the last five years |  |  |  |  |  |  |  |
| 3 | Our company has registered growth in turnover / sales from the business over the past five years |  |  |  |  |  |  |  |
| 4 | Our company’s profits have been higher compared to assets and liabilities |  |  |  |  |  |  |  |
| 5 | Our organizations’ shares outstanding are greater than the net income |  |  |  |  |  |  |  |
| 6 | Our organization has registered growth in turnover compared to the competitors over the past five years |  |  |  |  |  |  |  |
| 7 | Our firm financial leverage has increased over the last five years |  |  |  |  |  |  |  |
| 8 | Our firm has experienced an increase in gross premiums collected over the last 5 years |  |  |  |  |  |  |  |
| 9 | Our firm has experienced an increase in assets over the last 5 years |  |  |  |  |  |  |  |
| 10 | Our firm has a higher market value |  |  |  |  |  |  |  |
| 11 | The interest expense to total operating revenue ratio is low (meaning the firm may be less reliant on overdraft) |  |  |  |  |  |  |  |
| 12 | The insurance company is more inclined to decisions that enhance returns on its physical capital rather than relational capital |  |  |  |  |  |  |  |
| 13 | We have competitive advantage and superior firm performance |  |  |  |  |  |  |  |
| 14 | The firm budget outrun ratio is low (meaning the firm always spent less  than it had budgeted) |  |  |  |  |  |  |  |

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