American Journal of
Finance
(AJF)

The Effect of Corporate Governance Reporting on Tax Performance: Evidence from Kenyan Insurance Firms

Dr. John Kuria

American Journal of Finance
ISSN 2520-0445 (Online)
Vol. 11, Issue 2, pp 60 - 72, 2025 www.ajpojournals.org

The Effect of Corporate Governance Reporting on Tax Performance: Evidence from Kenyan Insurance Firms

Dr. John Kuria[1]
[1]Adjunct Lecturer, Chandaria School of Business, United States International University-Africa

Article history
Submitted 09.08.2025 Revised Version Received 12.09.2025 Accepted 10.10.2025

Abstract

Purpose: This study examined the relationship between corporate governance reporting and tax performance among insurance firms in Kenya. Corporate governance reporting was essential for promoting transparency, accountability, and regulatory compliance, particularly in the financial sector.

Materials and Methods: The study employed a descriptive and correlational research design, analyzing secondary data from insurance firms operating in Kenya between 2020 and 2024. Data on corporate governance reporting was sourced from annual reports and sustainability disclosures, while tax performance indicators, including tax expense and effective tax rate, will be obtained from financial statements. A census sampling approach was used to include all eligible insurance firms with complete data. Panel data analysis was conducted using multiple regression models to evaluate the relationship while controlling for firm size, profitability, and leverage.

Findings: The study revealed a strong and statistically significant relationship between corporate governance indicators (Board Composition ($B = 29.900$, $t = 125.048$, $p < 0.001$), Audit Committee ($B = 25.248$, $t = 103.143$, $p < 0.001$), Audit Committee ($B = 25.248$, $t = 103.143$, $p < 0.001$) and Ethical Leadership ($B = 19.820$, $t = 82.857$, $p < 0.001$)) and tax performance among Kenyan insurance companies. Therefore, the study concluded that corporate governance reporting is a critical determinant of tax performance in the Kenyan insurance industry.

Unique Contribution to Theory, Practice and Policy: The study recommended that insurance firms should prioritize the professionalization and diversification of their boards so as to enhance tax performance through governance. The study also recommended for Audit Committees to be empowered through regular training, performance evaluations, and clear mandates to ensure rigorous financial scrutiny. Finally, the study recommended for Ethical Leadership to be embedded into organizational culture via transparent codes of conduct, whistleblower protections, and leadership accountability systems.

Keywords: *Tax performance, Corporate Governance, Financial Reporting*
JEL CODES: *H21, G30, M41*

INTRODUCTION

The reporting of corporate governance has been a foundation of the transparency of the financial sector, especially where there is a dynamic regulatory environment. Corporate governance is the system through which companies are governed and managed to ensure that they obtain an alignment with ethical practices, shareholders' interests, and legal requirements (Awolowo et al., 2018). Governance reporting is becoming widely known worldwide as a tool in improving financial performance, investor confidence and regulatory compliance. Effective governance frameworks are also associated with a lower financial risk and better accountability (Aguilera, and Cuervo-Cazurra, 2019).

The insurance market in Kenya is made up of 58 licensed insurers and 5 reinsurers with a contribution percentage of about 2.3 to the GDP by 2024. Although this sector is essential to financial stability and risk management, the sector has continued to deal with constant governance and compliance issues. According to the reports of the Insurance Regulatory Authority (IRA) and the Kenya Revenue Authority (KRA), there has been regular violation of financial reporting, tax compliance and disclosure standards. An example is the 2023 audit by the IRA of numerous insurers of poor board supervision and reporting related-party transactions, and KRA investigations have revealed aggressive tax planning and under-reporting of taxable income by a number of firmsNCBA Investment Bank+1.

The risks mentioned above can be addressed through proper corporate governance reporting that would encourage tax transparency and compliance with the statutory frameworks, such as the Companies Act 2015, Insurance Act (Cap 487), and the Tax Procedures Act of KRA. Nonetheless, the disclosure practice is unequal. Although other insurers are inclusive of information concerning governance reports, compliant with international reporting, some offer sparse or boiler-plate reports, which compromise stakeholder trust and regulatory oversight (Al-Shammari, 2021).

Though previous researchers have associated the quality of governance with the financial performance and stakeholder confidence, the impact on the tax performance especially in the insurance sector in Kenya is not well studied. This disclosure is alarming in the view of recent scandals of tax evasion and governance failures, including the case of the forensic audit of a major insurer in 2022 that brought to the fore unknown liabilities and fraudulent costs. With regulatory attention on disclosure of governance increasingly high, it is timely and policy-relevant to learn how governance disclosure affects tax behavior.

The paper thus examines the correlation between the corporate governance reporting and the tax performance in the Kenyan insurance companies. The research seeks to shed light on the importance of transparency in promoting ethical and responsible corporate behaviour by assessing the quality of disclosure, and adherence to regulations, and tax performance.

Statement of the Problem

It is projected that corporate governance reporting will increase tax performance through improving transparency, decreasing tax risks, and adherence to regulatory structures. Companies that report their governance systems such as board membership, executive remuneration, and audit procedures are sending out positive messages of embracing ethical business conduct and this may have a good impact on the taxation pattern of such companies (Jensen and Meckling, 1976). Also, good financial decision-making that is promoted by good corporate governance lessens the chances of tax evasion and aggressive use of tax planning methods (Awolowo et al., 2018).

Though such may be the theoretical expectations, tax compliance is an issue of significant concern in the insurance industry in Kenya. Losses in tax revenues and tax avoidance and non-compliance through corporations has been reported as substantial losses by Kenya Revenue Authority (KRA) and financial institutions, such as insurance companies are also a part of this trend (KRA, 2020). Other insurance companies are also involved in dubious tax planning by taking advantage of loopholes in the tax regulations, whereas others are weak in terms of governance and undermine their compliance initiatives. This would lead to the question of whether the corporate governance reporting is effective in improving tax compliance and efficiency.

This is a major concern especially to the regulators, policymakers and the corporate stakeholders. To the tax authorities, the poor reporting of governance is detrimental to implementing tax policies and sealing the loopholes in compliance. In case of insurance companies, inadequate revelation of governance can result in heightened examination, reputational hazard, and impositions. Moreover, there are irregularities in the reporting of governance that render it challenging to evaluate the efficiency of the regulatory policies towards encouraging the tax compliance.

Although the importance of governance in improving corporate accountability has been emphasized on in global studies, empirical studies that directly associate governance reporting with tax performance in the Kenya insurance industry are scarce. The proposed research aims to fill this gap because it attempts to identify the impact of corporate governance disclosures on tax compliance and efficiency among insurance companies registered by the Insurance Regulatory Authority (IRA) in Kenya. The analysis will be focused on the period of 2020-2024 and will provide information to the regulators, policymakers and corporate leaders about the changing relationship between transparency in governance and tax behavior.

LITERATURE REVIEW

Theoretical Review

Signaling Theory

Signaling theory, developed by Spence (1973), suggests that firms use corporate governance reporting as a tool to convey critical information to stakeholders, reducing information asymmetry between corporate insiders and external parties. In the context of tax performance, firms with strong governance structures signal their commitment to ethical leadership, regulatory compliance, and financial transparency by disclosing key aspects such as board composition, executive compensation, audit committee effectiveness, and risk management frameworks. These disclosures provide assurance to tax authorities that the firm is committed to fair taxation practices, reducing the likelihood of aggressive tax avoidance strategies and regulatory scrutiny. Additionally, firms with well-documented governance structures may benefit from lower compliance costs, reduced tax audits, and enhanced investor confidence, all of which contribute to improved tax performance. By signaling their adherence to best governance practices, firms enhance their credibility in the financial ecosystem, improving relationships with regulatory bodies and reducing uncertainty regarding their tax obligations.

Examples of how signaling theory is applied in Kenya in insurance industry include Britam Holdings and Jubilee Insurance that have disclosed their governance in such a way that they can be used as a strategic instrument to develop credibility among their regulator like the Kenya Revenue Authority (KRA). An example is the 2024 Annual Report published by Britam, where board diversity, ESG management, and anti-corruption training are mentioned, and Jubilee regularly release detailed governance reports in line with the requirements of the IRA and Companies Act 2015. Such practices serve to strengthen their ethical behavior reputations in addition to minimizing regulatory controls and audit risk. This signaling effect has been supported by empirical research: Reddy et al. (2024) have discovered that transparent governance structures considerably increase voluntary tax compliance in the emerging markets and Tilahun (2019) has found that firms with strong governance mechanisms are more likely to pay taxes believing that it is fair and they have less pressure to do it. These results confirm the applicability of the theory in situations related to taxation, and the governance reporting is not a symbolic gesture nor a meaningless message that influences the tax behavior and institutional trust.

Stakeholder Theory

Stakeholder theory, proposed by Freeman (1984), emphasizes that corporations must balance the needs and expectations of multiple stakeholders, including shareholders, employees, tax authorities, regulators, and the broader community. Corporate governance reporting plays a crucial role in ensuring transparency and accountability, which fosters trust among these key stakeholders. From a tax compliance perspective, firms that engage in comprehensive governance reporting are more likely to act in the best interests of tax authorities and regulators by accurately disclosing financial statements, ensuring ethical tax planning, and adhering to statutory tax requirements. This alignment reduces the likelihood of tax evasion or disputes with tax authorities, thereby enhancing tax performance. Moreover, transparent governance structures strengthen investor confidence, as firms perceived to have sound governance mechanisms are viewed as lower-risk investments. Within the Kenyan insurance sector, where regulatory compliance is a major concern, stakeholder expectations for corporate transparency, fair taxation, and responsible financial management are increasing. As a result, firms that proactively report their governance practices are better positioned to mitigate financial and reputational risks while maintaining regulatory approval and stakeholder trust.

Stakeholder pressure of regulator, investors and the general population in Kenya insurance industry is overriding in determination of tax behavior of firms. The regulatory authorities like Insurance Regulatory Authority (IRA), the Capital Markets Authority (CMA), and the Kenya Revenue Authority (KRA) have high compliance expectations, whereby firms are expected to present governance arrangements, financial integrity, and tax requirements clearly. The need to demonstrate ethical behaviour and reduce risks by investors also causes insurers to embrace responsible tax planning and non-aggressive avoidance strategies, which may initiate audit processes or reputational loss. Stakeholders in the community are becoming very keen on corporate accountability and require firms to make fair contributions towards national development by paying taxes. This combination of stakeholder expectations makes it stronger to adopt sound governance reporting because companies that do not satisfy such expectations risk sanctions by regulators, divestment by investors and loss of confidence by the people. Accordingly, the Kenyan context of the stakeholder theory highlights how institutional and societal forces in concert are motivating insurers to harmonize the governance transparency with the ethical tax behaviors.

Legitimacy Theory

Legitimacy theory, introduced by Dowling and Pfeffer (1975), posits that firms seek to align their governance and operational practices with societal norms and regulatory expectations to maintain legitimacy. In the insurance industry, firms are subject to strict regulatory oversight, particularly concerning corporate governance and taxation. Transparent corporate governance reporting helps firms establish legitimacy by demonstrating their commitment to ethical leadership, regulatory compliance, and financial integrity. Insurance firms that fail to adequately disclose their governance structures may be perceived as engaging in unethical financial practices, tax avoidance, or weak regulatory compliance, which can lead to higher tax-related risks, increased scrutiny from tax authorities, and reputational damage. Conversely, firms that consistently report on board independence, audit committee effectiveness, and financial risk management reinforce their legitimacy, gaining favor with tax regulators and reducing the risk of financial penalties or audits. Furthermore, strong corporate governance disclosures can provide insurance firms with strategic advantages, such as access to government incentives, tax relief programs, and improved relationships with regulatory agencies. By prioritizing governance transparency, firms not only enhance their tax compliance but also build long-term sustainability and competitiveness in the financial sector.

Empirical Studies

Empirical research has consistently demonstrated the importance of corporate governance reporting in enhancing financial performance and regulatory compliance. Awolowo et al. (2018), demonstrated that firms with strong governance structures particularly independent boards and robust audit committees were less likely to engage in financial misreporting or fraudulent activities, thereby reducing exposure to tax-related risks. Their study relied on cross-sectional data and regression analysis, offering useful correlations between governance and financial integrity. However, it did not isolate tax performance as a distinct variable, nor did it account for sectoral differences or longitudinal trends. This limits its applicability to dynamic regulatory environments like Kenya's insurance sector. Future research could build on this by employing panel data and sector-specific governance metrics to assess how governance reporting influences tax behavior over time.

Hasan, Lobo, and Qiu (2021), argued that independent audit committees and transparent executive compensation policies enhance tax compliance. Their multi-country panel study provided robust statistical evidence, but the diversity of regulatory contexts across jurisdictions may dilute its relevance to localized settings. Moreover, the study focused on listed firms, potentially excluding governance dynamics in privately held or mid-sized insurers. A research gap exists in understanding how governance mechanisms operate within smaller or non-listed insurance firms in emerging markets. Future studies should explore how ownership structure, regulatory enforcement, and cultural norms mediate the governance–tax compliance relationship.

Hanlon and Heitzman (2019), emphasized the role of audit committees in ensuring accurate financial and tax-related disclosures. Their longitudinal approach and focus on regulated sectors added depth to the analysis. However, the study did not explicitly integrate institutional trust or stakeholder perceptions, which are critical in emerging economies where enforcement may be uneven. Additionally, the study did not disaggregate governance components to assess their individual effects on tax performance. Future research could incorporate qualitative dimensions such as stakeholder trust and perceived legitimacy to better understand how governance transparency influences tax behavior in contexts like Kenya's insurance industry.

In the Kenyan context, Muriithi and Waweru (2021) found that governance reporting among financial services firms remains inconsistent, with many disclosures lacking depth and clarity. Their qualitative approach provided rich contextual insights but lacked quantitative rigor, limiting generalizability and causal inference. The study did not differentiate between governance elements such as board diversity, audit independence, or risk management, which could have revealed more nuanced effects on tax compliance. Future research should adopt mixed-method designs to triangulate governance disclosure quality with measurable tax outcomes, and to explore how specific governance attributes influence regulatory trust and fiscal accountability.

Ogutu and Kibera (2020), examined listed Kenyan firms and found that detailed governance disclosures correlate with better relationships with tax authorities, fewer audits, and higher compliance levels. Their use of regression analysis adds empirical weight to the governance–tax nexus. However, the study aggregated firms across sectors, potentially masking industry-specific dynamics within insurance. It also did not assess the credibility or depth of disclosures, which are crucial for evaluating signaling effectiveness. Future studies should disaggregate governance elements and assess disclosure quality to better understand how transparency influences tax behavior. Additionally, longitudinal studies could explore whether improvements in governance reporting lead to sustained tax compliance or merely short-term regulatory appeasement.

MATERIALS AND METHODS

This study employed a descriptive and correlational research design to analyze the relationship between corporate governance reporting and tax performance in Kenyan insurance firms. The descriptive design provided an overview of corporate governance reporting practices in the insurance sector, highlighting the extent and quality of disclosures related to governance structures. The correlational design assessed the strength and direction of the relationship between corporate governance disclosures and tax performance, allowing the study to determine whether better governance reporting is associated with improved tax compliance. This approach was appropriate because it did not only describe the state of governance reporting but also identified potential links between governance practices and firms' ability to meet their tax obligations efficiently.

The target population for this study consisted of all 58 insurance firms licensed by the Insurance Regulatory Authority (IRA) in Kenya as of 2024. These firms were required to disclose certain governance information in their annual reports, making them suitable for this study. A census sampling approach was adopted, meaning that all eligible insurance firms with complete data on both governance reporting and tax performance for the period 2020 to 2024 was included in the analysis. By using a census sampling approach, the study ensured a comprehensive view of the entire population of licensed insurance firms, increasing the generalizability and robustness of the findings. Any firms with missing or incomplete governance disclosures or tax data during the study period was excluded to maintain data integrity and consistency.

Secondary data was collected from annual financial reports and corporate governance disclosures. The financial reports provided tax performance indicators, including tax expense and effective tax rate, which served as the dependent variable in the analysis. The corporate governance disclosures focused on critical aspects such as board structure, audit committee functions, executive compensation, and risk management policies, all of which were used to create the governance reporting score. This governance score was developed based on a content analysis of the annual reports, considering the level of detail and comprehensiveness

American Journal of Finance
ISSN 2520-0445 (Online)
Vol. 11, Issue 2, pp 60 - 72, 2025 www.ajpojournals.org

of the disclosures related to the aforementioned governance elements. The higher the score, the more transparent and robust the governance reporting was considered.

Panel data analysis was used to analyze the data, allowing the study to examine how corporate governance reporting influences tax performance across multiple time periods and across different firms. SPSS and Stata was used for statistical analysis, specifically applying the regression model to evaluate the relationship between governance reporting and tax performance.

FINDINGS

Trend Analysis

The trend in average tax performance among Kenyan insurance firms from 2020 to 2024 shows an initial dip between 2020 and 2021, followed by a sharp rise in 2022. This surge, however, proved short-lived, as performance declined again in 2023 and then leveled off in 2024. The temporary upswing in 2022 may have been attributed to enhancements in governance structures (improvements in board composition, audit committee oversight, and ethical leadership practices) which likely bolstered compliance and fiscal discipline. The subsequent downturn suggests that these governance gains may not have been consistently sustained, possibly due to lingering weaknesses in institutional accountability or external economic constraints. The relative steadiness in 2024 could reflect either a stabilization of governance reforms or a stagnation in their effectiveness across the sector

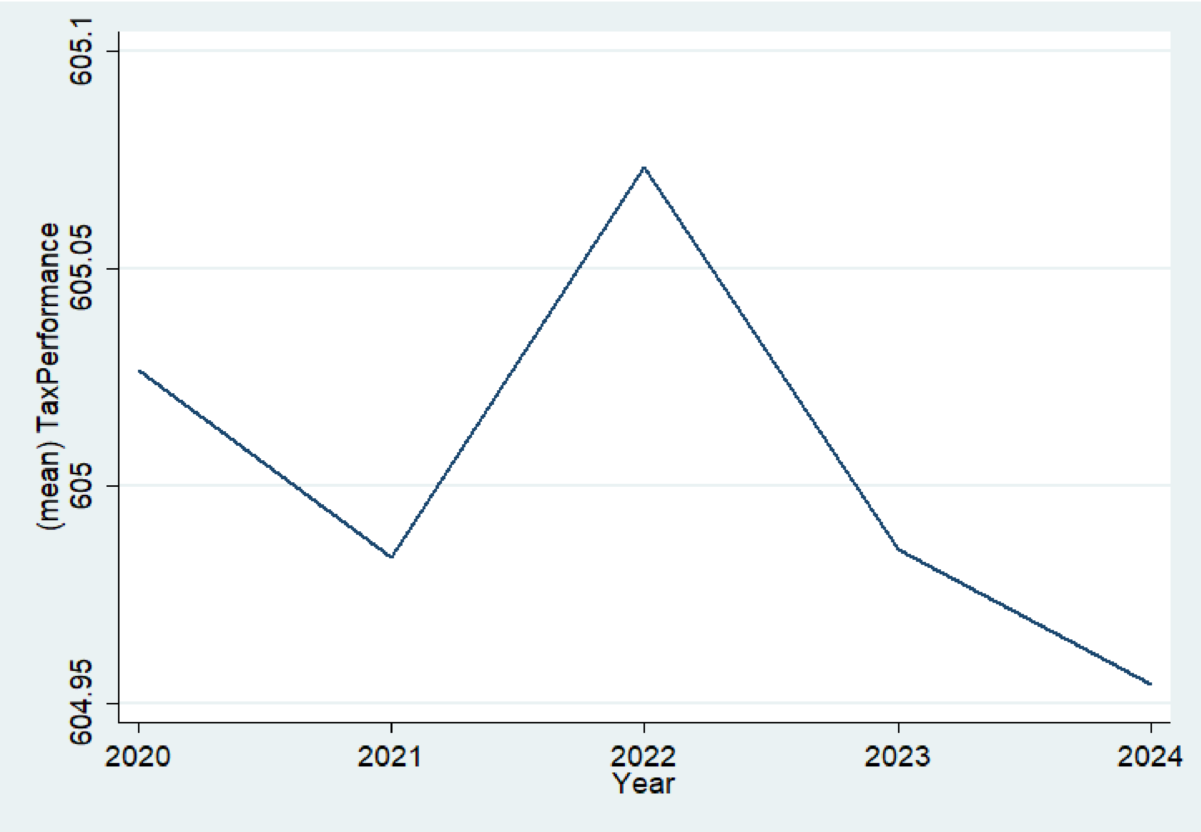

Figure 1: Trend Analysis

Panel Data Tests

Table 1 presents the results of the unit root test using the Fisher test for the study variables: Board composition, Audit committee, Ethical Leadership and Tax Performance were

American Journal of Finance
ISSN 2520-0445 (Online)
Vol. 11, Issue 2, pp 60 - 72, 2025 www.ajpojournals.org

conducted using the Fisher test. The null hypothesis for each test posits that all panels contain unit roots, indicating non-stationarity in the data. However, the p-values for all variables were reported as 0.0000, which are well below the commonly accepted significance threshold of 0.05. This result leads to the rejection of the null hypothesis for all variables. The conclusion, therefore, is that unit roots do not exist in any of the panels, meaning that all variables are stationary. As a result, the data series are stable over time, and this confirms that the data is suitable for panel regression analysis without the need for further differencing or transformation to achieve stationarity.

Table 1. Unit root test using the Fisher test

Variable Name	Null Hypothesis	P-Value	Conclusion
Board composition	All panels contain unit roots	0	Unit roots do not exist in all panels
Audit committee	All panels contain unit roots	0	Unit roots do not exist in all panels
Ethical Leadership	All panels contain unit roots	0	Unit roots do not exist in all panels
Tax Performance	All panels contain unit roots	0	Unit roots do not exist in all panels

Correlation

Tax performance is significantly and positively associated with all three governance variables at the 0.01 level. Specifically, board composition shows the strongest correlation with tax performance ($r = 0.669$, $p < 0.01$), followed by audit committee ($r = 0.600$, $p < 0.01$) and ethical leadership ($r = 0.451$, $p < 0.01$), indicating that improvements in these governance attributes are linked to enhanced tax outcomes. These results are in line with those of Awolowo et al. (2018) who argued that firms with strong governance structures, such as independent boards and robust audit committees, were less likely to engage in financial misreporting or fraudulent activities, which in turn reduced their exposure to tax-related risks and thus resulted to high tax performance.

		Board Composition	Audit Committee	Ethical Leadership	Tax Performance
Board Composition	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	290			
Audit Committee	Pearson Correlation	0.422	1		
	Sig. (2-tailed)	0.005			
	N	290	290		
Ethical Leadership	Pearson Correlation	0.445	0.558	1	
	Sig. (2-tailed)	0.024	0.007		
	N	290	290	290	
Tax Performance	Pearson Correlation	.669**	.600**	.451**	1
	Sig. (2-tailed)	0	0	0	
	N	290	290	290	290

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

Additionally, moderate positive correlations are observed among the independent variables themselves: board composition and audit committee ($r = 0.422$, $p = 0.005$), board composition and ethical leadership ($r = 0.445$, $p = 0.024$), and audit committee and ethical leadership ($r = 0.558$, $p = 0.007$). These inter-variable associations suggested some degree of shared governance dynamics just as Lobo and Qiu (2021) argued that effective corporate governance mechanisms, including independent audit committees and transparent executive compensation policies, lead to improved tax compliance.

Regression

The pooled regression analysis conducted revealed a remarkably strong model, with an R-squared value of 0.992 and an adjusted R-squared of 0.992, indicating that 99.2% of the variation in tax performance is explained by the governance variables: board composition, audit committee, and ethical leadership. The model was statistically significant, as evidenced by an F-statistic of 11,290.121 and a p-value of 0.000, confirming that the predictors collectively had a substantial impact on the dependent variable. These results concurred with those of Ogutu and Kibera (2020) who found that firms with detailed governance disclosures tend to have better relationships with tax authorities, experience fewer tax audits, and demonstrate higher levels of tax compliance.

Individually, each governance factor demonstrates a highly significant and positive effect on tax performance, with board composition showing the strongest influence ($B = 29.900$, $t = 125.048$, $p < 0.001$); these results concurred with those of Lobo and Qiu (2021) who argued that effective corporate governance mechanisms, including transparent executive compensation policies and independent audit committees, lead to improved tax compliance.

American Journal of Finance
ISSN 2520-0445 (Online)
Vol. 11, Issue 2, pp 60 - 72, 2025 www.ajpojournals.org

Audit committee showed positive significance on tax performance (B = 25.248, t = 103.143, p < 0.001); these findings agreed with those of Hanlon and Heitzman (2019) who highlighted that firms with effective audit committees and rigorous governance reporting were less likely to engage in aggressive tax avoidance and were more compliant with tax regulations. Ethical leadership showed a highly significant and positive effect on tax performance (B = 19.820, t = 82.857, p < 0.001). The low standard errors and exceptionally high t-values underscore the precision and reliability of these estimates, while collinearity diagnostics (VIFs near 1) confirm that multicollinearity is not a concern in the model.

Table 2: Regression analysis

Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.996[a]	0.992	0.992	0.020

a. Predictors: (Constant), Ethical Leadership, Board Composition, Audit Committee

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.794	3	4.598	11290.121	.000[b]
	Residual	0.116	286	0.000		
	Total	13.910	289			

a. Dependent Variable: Tax Performance

b. Predictors: (Constant), Ethical Leadership, Board Composition, Audit Committee

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	51.873	3.332		15.570	0.000		
	Board Composition	29.900	0.239	0.678	125.048	0.000	0.997	1.003
	Audit Committee	25.248	0.245	0.559	103.143	0.000	0.996	1.004
	Ethical Leadership	19.820	0.239	0.450	82.857	0.000	0.995	1.006

a. Dependent Variable: Tax Performance

CONCLUSION AND RECOMMENDATIONS

Discussion

The study revealed a strong and statistically significant relationship between corporate governance indicators and tax performance among Kenyan insurance companies. The pooled regression model produced an exceptionally high R-squared value of 0.992, indicating that 99.2% of the variation in tax performance is explained by the governance variables. Board Composition had the highest unstandardized coefficient (B = 29.900, t = 125.048, $p < 0.001$), followed by Audit Committee (B = 25.248, t = 103.143, $p < 0.001$) and Ethical Leadership (B = 19.820, t = 82.857, $p < 0.001$). These results suggested that firms with well-structured boards, active audit committees, and principled leadership are significantly more likely to demonstrate strong tax compliance and performance.

Correlation analysis further supported these findings, with Tax Performance showing strong positive associations with Board Composition (r = 0.669), Audit Committee (r = 0.600), and Ethical Leadership (r = 0.451), all significant at the 0.01 level. Additionally, moderate intercorrelations among the independent variables: Board Composition and Audit Committee (r = 0.422, p = 0.005), Board Composition and Ethical Leadership (r = 0.445, p = 0.024), Audit Committee and Ethical Leadership (r = 0.558, p = 0.007), suggested a shared governance dynamic without multicollinearity concerns. These findings affirmed that governance structures are powerful in shaping fiscal outcomes.

Summary

This study examined the effect of corporate governance reporting on tax performance in Kenya's insurance sector, focusing on three key governance variables: Board Composition, Audit Committee, and Ethical Leadership. Using panel data from 2020 to 2024 and applying pooled regression analysis, the study found that all three governance indicators significantly and positively influence tax performance. The regression model yielded an R-squared of 0.992, with each variable showing strong statistical significance and high t-values, confirming their predictive strength.

Temporal analysis of mean tax performance reveals a modest decline from 2020 to 2021, a sharp peak in 2022, followed by a drop in 2023 and stabilization in 2024. This pattern suggested that governance improvements may have driven short-term gains, but structural challenges such as inconsistent reporting or economic pressures may have hindered sustained progress. The correlation matrix reinforces the regression findings, with all governance variables showing significant positive relationships with tax performance, highlighting the strategic role of governance in fiscal accountability.

Conclusion

The study concluded that corporate governance reporting is a critical determinant of tax performance in the Kenyan insurance industry. Board Composition, Audit Committee effectiveness, and Ethical Leadership each contribute significantly to fiscal outcomes, with Board Composition emerging as the most influential predictor. The exceptionally high R-squared value (0.992) and strong correlation coefficients affirmed that corporate governance structures were central to shaping tax behavior, compliance, and financial transparency.

However, the observed volatility in tax performance over the five-year period underscored the need for sustained governance reforms. The temporary rebound in 2022, followed by a decline and plateau, suggested that governance interventions must be institutionalized to achieve long-term impact. Without consistent reinforcement, even well-designed governance frameworks may fail to deliver enduring results. Thus, the study called for deeper integration of governance metrics into regulatory oversight and performance benchmarking.

Recommendations

The study recommended that insurance firms should prioritize the professionalization and diversification of their boards so as to enhance tax performance through governance. Directors should possess relevant expertise in finance, compliance, and strategic oversight. The study also recommended for Audit Committees to be empowered through regular training, performance evaluations, and clear mandates to ensure rigorous financial scrutiny. The study recommended for Ethical Leadership to be embedded into organizational culture via transparent codes of conduct, whistleblower protections, and leadership accountability systems.

Regulators should mandate standardized governance disclosures and link them to tax compliance ratings. Sector-wide benchmarking and public reporting of governance metrics can foster peer accountability and incentivize continuous improvement. By aligning governance reforms with fiscal performance targets, both insurers and regulators can build a more transparent, compliant, and resilient insurance sector. These measures may not only improve tax outcomes but also strengthen institutional credibility and investor confidence across the industry.

REFERENCES

Awolowo, I., Garrow, N., Clark, M., & Chan, D. (2018). Accounting scandals: Beyond corporate governance. Journal of Modern Accounting and Auditing, 14(8), 399-407.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. Pacific Sociological Review, 18(1), 122-136.

Freeman, R. E. (1984). Strategic management: A stakeholder approach. Cambridge University Press.

Hanlon, M., & Heitzman, S. (2019). A review of tax research. Journal of Accounting and Economics, 50(2-3), 127-178.

Hasan, M. M., Lobo, G. J., & Qiu, B. (2021). Organizational capital, corporate tax avoidance, and firm value. Journal of Corporate Finance, 70, 102050.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3(4), 305-360.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3(4), 305-360.

KRA (Kenya Revenue Authority). (2020). Annual performance report 2019/2020. Nairobi, Kenya.

Muriithi, S., & Waweru, M. (2021). Corporate governance practices in the Kenyan insurance sector. Journal of Finance and Management, 9(2), 25-40.

Ogutu, M., & Kibera, F. (2020). Corporate governance practices and tax compliance in Kenya: A study of listed firms. African Journal of Accounting and Governance, 16(3), 40-55.

Spence, M. (1973). Job market signaling. The Quarterly Journal of Economics, 87(3), 355-374.

Tirole, J. (2001). Corporate governance. Econometrica, 69(1), 1-35.

License