
**TRANSACTION RISK MITIGATION AND THE SECURITIES MARKET FINANCIAL
PERFORMANCE OF LISTED INSURANCE FIRMS AT NAIROBI SECURITIES
EXCHANGE**

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Abstract

The performance of the securities market globally plays an important role in both local and international markets. The high rise of such markets has given an increase in the number of risks associated with firms registered on the stock market. This study therefore sought to examine the effect of translation risk mitigation on the securities market financial performance of listed insurance firms in Kenya. The study adopted a descriptive research design and a quantitative research approach. The target population was 548 staff working in finance, investment, risk, actuarial, and operations departments in the six insurance firms listed in the Nairobi Securities Exchange. The sample size was determined using Yamane's Formula and stratified random sampling was used in the selection of the sample size. The study made use of both primary and secondary data. The study used a data extraction tool to collect secondary data from the annual reports and financial statements of the insurance companies. The study made use of structured questionnaires to collect primary data. The questionnaires generated quantitative data. Descriptive and inferential statistics were used in analyzing quantitative data with the help of the Statistical Package for Social Sciences (SPSS version 24) statistical software. Descriptive statistics included frequency distribution, percentages, mean, and standard deviation. Inferential data analysis was done using the Pearson correlation coefficient and linear regression analysis. The study found that translation risk mitigation has a positive and significant effect on the securities market financial performance of listed insurance firms in Kenya. The study recommends that insurance firms should continue to employ a diverse range of hedging strategies to mitigate translation risks effectively. While currency swaps and forward contracts are commonly used methods, firms should explore other hedging instruments such as options and futures to further diversify their risk management portfolio.

Key Words: *Translation Risk Mitigation, Securities Market, Financial Performance*

INTRODUCTION

Securities market performance is a measure of how well an efficient market performs. It is an aggregate measure that characterizes global marketplaces and specific market sectors and gives information to investors about the market (Hecht, 2021). They serve as an indicator of the economy's overall performance in that they aid in the allocation of capital required for the economy's steady expansion. According to O'Brien (2019), the stocks' price and other assets is a

significant aspect of economic activity's dynamics, and it can also impact or be an indicator of social mood. Sometimes, the stock market performance is viewed as the most important measure of country's economic progress and strength.

Share prices influences household spending and wealth (Ramlall, 2018). As a result, central banks prefer to monitor the stock market's regulation and behavior, as well as the smooth operation of financial system activities in general. The securities market is one of the most important avenues for corporations to raise capital. This allows businesses to become publicly traded or to raise more capital for expansion by selling of their ownership shares on a securities market. The value of a company's securities and other assets play a vital role in the economy's dynamics (Molele & Mukuddem-Petersen, 2020).

Transaction risk mitigation refers to strategies and practices employed by firms to manage and reduce the risks associated with currency exchange rate fluctuations during international transactions. This type of risk arises when companies engage in cross-border trade, investments, or operations that involve multiple currencies (Tai, 2022). The primary objective of transaction risk mitigation is to protect the company's cash flows, profit margins, and overall financial stability from adverse currency movements. Effective transaction risk mitigation helps stabilize a company's cash flows and earnings by protecting them from volatile currency exchange rates. This stability is crucial for maintaining predictable financial performance, which is highly valued by investors and analysts (Vurur, 2020). By mitigating transaction risk, companies can avoid unexpected losses from unfavorable currency movements, thereby enhancing their financial performance. This improvement is often reflected in key financial metrics such as Return on Assets (ROA) and Return on Equity (ROE), which are closely monitored by market participants.

In large American, British, and Asian corporations, one of the most essential challenges facing firms is foreign exchange risk leading to transaction risk among firms. In a study focusing on United Kingdom and the United States, Homaifar (2018) observed that transaction risk mitigation influences the performance of businesses that operate on global market that export or import products or services to different countries. In Turkey, Parlak and İlhan (2016) observed that in periods when local currency was overvalued, companies with short foreign exchange positions were capable of achieving the same level of overall profitability as those with long foreign exchange positions, but they were exposed to significant losses in periods when the local currency was devalued. In Nigeria, Funso and Lawal (2020) found that transaction risk influences financial sector performance negatively and significantly and hence the need for transaction risk mitigation.

In Egypt, Nada and ElDin (2017) discovered that transition risks as a result of foreign exchange risk affect the financial performance of firms. However, Salifu, Osei, and Charles (2017), Ghana's financial sector has no risk exposure to any of international currencies. In Uganda, Mutesi (2018) observed that most of the firms are exposed significantly to foreign exchange risk with most of the companies showing significant exposure. According to Chiira (2019), second-largest risk to oil firms after price fluctuations in international crude oil is foreign exchange risk, and as a result, most corporations consider it a substantial risk to manage. Matolo (2018) looked at the impact of foreign exchange risk on the value of Kenya's commercial state businesses and observed that foreign currency fluctuations affected transaction between firms and hence had positive and significant impact on value of commercial state businesses.

Statement of the Problem

Between the year 2014 and 2017, the NSE 20 share index reduced from 5,112.65 to 3,711.94. In 2018, the NSE 20 share index reduced by 11.31% to 3,292.06, which then reduced by 18.36% to

2,687.49 in 2019 (Nairobi Securities Exchange, 2019). In 2020, the NSE 20 share index reduced by 30.38% to 1,870.95 but increased by 2.84% in 2021 to 1,924.12 (Nairobi Security Exchange, 2021). Between the year 2016 and 2017, the NSE All-Share increased by 2.23%, which later decreased by 1.54% in 2018, increased by 1.50% in 2019, but later decreased by 1.77% in 2020 (Nairobi Security Exchange, 2021). A decrease in securities market performance influences the economy as well as individuals' consumers negatively. Further, a collapse in the securities prices has a potential of causing widespread economic disruptions and a decrease in stock prices must always be prevented (Chiira, 2019). Therefore, it is important to understand how transaction risk mitigation affect the securities market performance of listed firms in Kenya.

Various studies have been conducted on transaction risk mitigation and securities market financial performance. For instance, Koskei (2017) assessed the impact of exchange rate transaction risk on the stock returns of listed financial institutions while Mugi and Okiro (2021) investigated the impact of foreign exchange transaction risk management strategies on the commercial banks' performance. However, these studies were limited to financial institutions including commercial banks. In addition, these studies have conflicting findings on effect of transaction risk mitigation on securities market financial performance creates a need for more empirical studies that will enrich the much-needed literature in this field of study. In addition, studies in this area have not shown the effect of transaction risk mitigation on securities market financial performance of listed insurance firms in Kenya.

H₀₁: Transaction risk mitigation has no significant effect on securities market financial performance of listed insurance firms in Kenya.

Theoretical Review

An alternative arbitrage pricing model (APT) was developed in mid-1970's, by Stephen Ross thus APT theory. The APT theory as propounded by Stephen Ross in 1976, forms the theoretical framework of this study as it creates the link between foreign exchange risks with securities market performance (Gupta & Bhaduri, 2019). Through a linear combination of numerous independent macroeconomic risk indicators, this theory also predicts the link between the returns of a portfolio and the returns of a single asset. Arbitrage pricing theory is practically perceptive since it only requires a few assumptions and may take into account a variety of risk considerations.

It is presumptively true that the current market is totally competitive, and investors place a higher value on greater wealth than on less wealth. As a result, the arbitrage pricing model implies that a set of risk characteristics is linearly related to asset returns. When assessing how managers determine financial risk exposures of large and small projects, it has been affirmed that possibility for risk transmission is embryonic product of present risk in identification methods and their resulting designs and a lack of well-designed risk management strategies (Reza & Glabadanidis, 2017). Investing in foreign markets exposes an investor to foreign exchange rate risk.

An investor considering foreign assets must assess the foreign exchange risk's vulnerability, which is comprised of the FER investment performance and domestic currency investment performance in relation to foreign currency (Gupta & Bhaduri, 2019). The APT has got some limitations too. Because the APT does not specify which elements to employ, various studies utilize different components and so get different findings. This is a reflection of the theory's major flaw: it does not identify which factors to use.

This disadvantage, according to Green, Lopez, and Wang (2003), is one of the key reasons why Federal Reserve Board of the United States has chosen not to employ APT to calculate equity

capital imputed cost for pricing services. However, APT is still used to set benchmark on securities such as Treasury Bills returns and stocks (Reza & Glabadanidis, 2017).

However, APT has received some criticisms. APT, on the other hand, has been criticized. According to Gupta and Bhaduri (2019), equilibrium pricing model based on APT has evolved into one of the most important modern financial theories. The application of APT to determining the elements that influence expected returns, on the other hand, is far too general. Furthermore, no formal theoretical advice exists for selecting the proper set of economic parameters to include in the APT model (Azeez & Yonoezawa, 2003). Gupta and Bhaduri (2019) goes on to say that this is both strength and a weakness of APT theory. Its empirical strength allows the researcher to pick and choose which components provide the best explanation for the particular sample at hand.

The Alternative Arbitrage Pricing Model (APT) provides a framework for understanding the relationship between transaction risk mitigation and securities market financial performance of listed insurance firms in Kenya within the context of broader market factors. APT posits that asset returns are determined by multiple risk factors rather than just the market portfolio, allowing for a more nuanced understanding of how specific risks, such as transaction risk mitigation, influence financial performance. In the case of listed insurance firms in Kenya, transaction risk mitigation involves managing the potential risks associated with foreign currency transactions, which can significantly impact financial outcomes due to the global nature of insurance operations. APT suggests that the impact of transaction risk mitigation on securities market financial performance is mediated by various risk factors, such as changes in exchange rates, which affect the pricing of securities and ultimately influence firm profitability and stock returns.

Conceptual Framework

A conceptual framework refers to diagrammatic representation and the presumed association between variables under investigations (Hewson, Vogel & Laurent, 2016). The independent variable was transaction risk mitigation while the dependent variable was securities market financial performance.

The conceptual framework is as depicted in Figure 1.

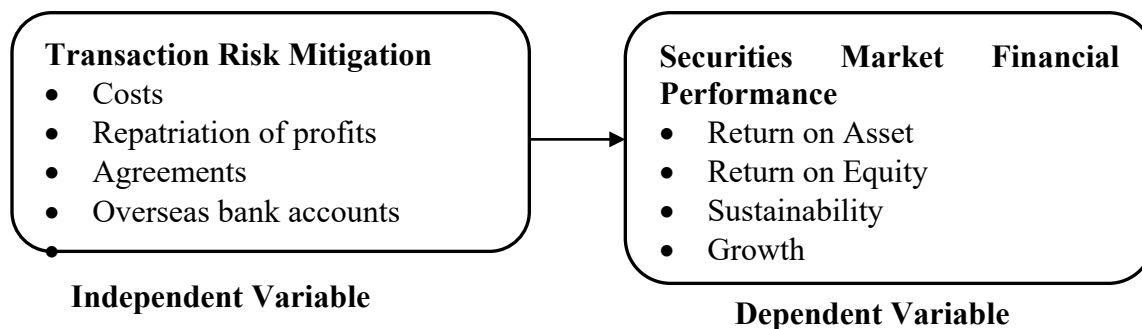


Figure 1: Conceptual Framework

Empirical Review

Foreign exchange transaction risk refers to the inverse impact that foreign exchange rate fluctuations can have on completed transaction prior to settlement. It is the currency risk or exchange rate, linked particularly with time delay between entering contract or trade and settling it (Khan, 2019). Mouna and Anis (2017) examined the market sensitivity of exchange rate transaction risk, stock returns and interest rates in nonfinancial sectors (technology as well as industry) in 8 countries from 2006 to 2009, including diverse European economies, United

States, and China. Findings revealed that during a crisis, stock market returns and currency rates all have considerable (positive and negative) impact.

Using causal research design, Koskei (2017) assessed the impact of exchange rate transaction risk on the stock returns of listed financial institutions. The study's target population consisted of 21 NSE-listed financial institutions that were publicly traded on NSE. The study focused on 14 financial institutions and employed a purposive sample technique. This study used the OLS method to perform a panel data regression with time series and cross-sectional data. The study results showed that exchange rate transaction risk influence stock returns of financial institutions. In Jordanian, Al-Momani and Gharaibeh (2018) examined foreign exchange transaction risk management strategies of firms. In particular the study examined firm size, global business involvement, sector as well as legal structure. The researcher focused on economic and transaction exposures. Findings originate from an empirical field research of 73 non-financial enterprises identified as key taxpayers. According to the findings, Jordanian enterprises do not commonly use foreign exchange transaction risk management tools including financial derivatives. Furthermore, there are no correlations between legal structure, firm size, and transaction exposure management strategies. The transaction exposure dimension revealed a link between firm's industry and foreign engagement with management practices. In terms of economic exposure component, there is a link between all of the features and management strategies.

In Australia, Ryan and Worthington (2019) examined interest rate, the market and foreign exchange transaction risk in banks. The time-series sensitivity of bank stock returns to market, FER, and interest rate, was examined by employing enhanced version of Generalized Autoregressive Conditional Heteroskedasticity in Mean (GARCH-M) model.

Over the duration between 1996 and 2001, these risks were modeled by employing daily Australian bank portfolio returns, medium, short, and long-term interest rates, market-wide accumulation index, and trade-weighted foreign exchange index. Long-term interest rates and foreign exchange transaction risk, on the other hand are not important drivers in generation of Australian bank returns.

In Nigeria, Funso and Lawal (2020) assessed whether exchange rate transaction risk influences financial performance. The study used time series data between 2008Q1 and 2017Q4. As estimate methodology, the researchers used Granger Causality tests. The dependent variable was the financial intermediation index, whereas the independent variables were FER, consumer price index risk, and interest rate risk. The study found that exchange rate transaction risk (EXR) had negative and significant impact on financial intermediation index.

In Kenya, Mugi and Okiro (2021) investigated the impact of foreign exchange transaction risk management strategies on the commercial banks' performance.

The research employed descriptive research approach. Descriptive survey method was chosen since it ensured a full account of the issue and minimized bias in data collecting. The study population consisted of 43 Kenya commercial banks from year 2009 to 2014. Census approach was employed in the study. Moreover, the study made use of secondary data. The study findings revealed that unit improvement in forward contracts, cross currency options and swaps would improve the Return on Assets (ROA).

RESEARCH METHODOLOGY

Descriptive survey design was utilized in this study and positivism research philosophy. Positivism research philosophy was the most appropriate in the study to examine the effect of transaction risk mitigation on the securities market performance of listed insurance firms in

Kenya. The unit of analysis was all the six insurance firms listed in Nairobi Securities Exchange. The unit of observation was all the staff working in finance, investment, risk, actuarial and operations departments in the six insurance firms listed in Nairobi Securities Exchange. The target population was 548 staff working in finance, investment, risk, actuarial and operations departments in the six insurance firms listed in Nairobi Securities Exchange.

The sample size was determined using Yamane's Formula which allows a researcher to sample the entire population but within an acceptable margin of error (Kumar, 2019).

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = no. of samples; N = total population; and e = error margin / margin of error (0.05)

$$n = \frac{548}{1 + (548 * (0.05^2))}$$

$n = 231$

Table 1: Sample Size

	Finance	Investment	Risk	Actuarial	Operations	Total
Jubilee Holdings Ltd	7	9	5	4	10	35
Sanlam Kenya Plc.	6	8	7	3	7	31
Kenya Re - Insurance Corporation Ltd	10	11	8	5	13	47
Liberty Kenya Holdings	6	7	7	3	9	32
Britam Holdings Plc.	9	11	10	4	11	45
CIC Insurance Group Ltd.	8	9	7	5	12	41
Total	46	55	44	24	62	231

Source: Association of Kenya Insurers (2020)

This study adopted stratified random sampling in the selection of 231 respondents drawn from the target population.

Stratified random sampling is a probability sampling that involves the categorization of the target population into strata, which are smaller groups. Stratification or categorization of data is normally done based on the shared characteristics or attributes of members of a population (Kumar, 2019).

The strata in this study were the six departments among insurance firms listed in the NSE, which include finance, investment, risk, actuarial and operations departments. This sampling technique was used because it minimizes selection bias, and the stratification of a sample size helps in ensuring that the sample size reflects the study population.

The study made use of both primary and secondary data. The study used a data extraction tool to collect secondary data from the annual reports and financial statements of the insurance companies. The study made use of structured questionnaires to collect primary data. A pilot study was conducted in four insurance companies not listed at the NSE. The insurance companies included Cannon Assurance Company Limited, First Assurance Kenya Limited, GA Insurance Company and UAP Insurance Ltd. According to Yevale (2016), the sample size for a pilot study should be 10 percent of the sample projected for the parent study. The pilot group comprised of 10 percent of the sample size (23). The study used three types of validity: content validity, face validity and construct validity. The content validity of the study was improved through seeking experts' opinions in the area of study, specifically the supervisors. The face validity of research tool was improved by conducting a pilot test and also changing any

ambiguous and unclear question. Construct validity was assessed by use of average variance explained. Reliability of the research instrument was measured using Cronbach's alpha. A Cronbach's alpha value of 0.7 was deemed as acceptable. The pilot test results showed that the research instrument was valid and reliable.

The questionnaires generated quantitative data. Descriptive and inferential statistics were used in analyzing quantitative data with the help of the Statistical Package for Social Sciences (SPSS version 24) statistical software. Descriptive statistics included frequencies, percentages, mean, and standard deviation. Inferential statistics included Pearson correlation coefficient and multiple linear regression analysis.

The securities market financial performance in functional model was the dependent variable whilst independent variable was transaction risk mitigation. The regression model was;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where; Y represents Securities Market Financial Performance; B_0 represents Constant; $\beta_1 - \beta_4$ represent coefficients of determination; X_1 represents Transaction risk mitigation; ε represents error term.

FINDINGS AND DISCUSSIONS

The sample size of this study consisted of 231 staff working in finance, investment, risk, actuarial and operations departments in the six insurance firms listed in Nairobi Securities Exchange. The questionnaire response rate was as shown in Table 2.

Table 2: Questionnaires' Response Rate

Department	Sample Size	Responses	Response Rate
Finance	46	44	95.65
Investment	55	52	94.55
Risk	44	42	95.45
Actuarial	24	23	95.83
Operations	62	56	90.32
Total	231	217	93.94

Out of the 231 questionnaires that were distributed, 217 questionnaires were fully filled and returned to the researcher hence providing a response rate of 93.94%. Babbie (2017) suggests that 75 percent response rate is adequate for data analysis, drawing conclusions as well as making recommendation. This denotes that 93.94% response rate was adequate for data analysis.

Transaction Risk Mitigation

The respondents were requested to indicate their level of agreement on various statements relating to transaction risk mitigation. The results were as shown in the Table 3.

Table 3: Aspects of transaction risk management

	Mean	Std. Deviation
Firms engaged in foreign business incur costs in foreign currency	4.202	1.180
Such firms repatriate profits to their mother countries	3.866	1.188
Agreements are prepared on the terms of foreign currency by respective firms	3.677	.869
Creation of overseas bank account are allowed to handle surplus currencies	3.603	.952

From the results, the respondents agreed with a mean of 4.202(SD=1.180) that firms engaged in foreign business incur costs in foreign currency. With a mean of 3.866(SD=1.188), the respondents agreed that such firms repatriate profits to their mother countries. The respondents agreed that agreements are prepared on the terms of foreign currency by respective firms as

shown by a mean of 3.677(SD=0.869). With a mean of 3.603(SD=0.952), the respondents agreed that creation of overseas bank account are allowed to handle surplus currencies.

Securities Market Finance Performance

The respondents were requested to indicate their level of agreement on various statements relating to securities market finance performance. The results were as shown in the Table 4.

Table 4: Aspects of securities market finance performance

	Mean	Std. Deviation
Security market financial performance is an indicator of the overall growth of a firm	3.557	1.087
Prices of stock and indices gives the financial performance of firms	3.857	1.225
The evaluation of securities returns is an indicator of an efficient financial performance of a firm	3.834	1.088
Securities market performance is a clear sign of total economic performance of a firm	3.539	1.162
Return on equity in insurance companies in Kenya has been increasing	3.267	1.277
Return on investment in insurance companies in Kenya has been increasing	2.815	.9195
Return on asset in insurance companies in Kenya has been increasing	2.709	.9735

From the results, respondent agreed with a mean of 3.857(SD=1.225) that prices of stock and indices gives the financial performance of firms. With a mean of 3.834(SD=1.088), the respondents agreed that the evaluation of securities returns is an indicator of an efficient financial performance of a firm. The respondents were neutral that security market financial performance is an indicator of the overall growth of a firm as shown by a mean of 3.557(SD=1.087). With a mean of 3.539(SD=1.162), the respondents were neutral that securities market performance is a clear sign of total economic performance of a firm. With a mean of 3.267(SD=1.277), the respondents were neutral that return on equity in insurance companies in Kenya has been increasing. From the results, respondent were neutral with a mean of 2.815(SD=0.919) that return on investment in insurance companies in Kenya has been increasing. The respondents were neutral that return on asset in insurance companies in Kenya has been increasing as shown by a mean of 2.709(SD=0.973).

Correlation Analysis

Pearson product-moment correlation coefficient was utilized to assess the association between transaction risk mitigation and securities market financial performance. The findings were as presented in Table 5.

Table 5: Correlation Coefficients

	Securities Market Financial Performance	Transaction Risk Mitigation
Securities Market Financial Performance	Pearson Correlation 1 Sig. (2-tailed) N 217	
Transaction Risk Mitigation	Pearson Correlation .840** Sig. (2-tailed) .000 N 217	1 217

The results showed that there exists a relationship between transaction risk mitigation and securities market financial performance of listed insurance firms in Kenya ($r=0.840$, p -value

=0.000). The p-value of 0.000 was less than 0.05 (significant level), indicating that the relationship was significant. These findings agree with Mouna and Anis (2017) findings that transaction risk mitigation has a positive relationship with stock returns among firms in Europe, United States and China.

Regression Analysis

Linear regression analysis was used to assess the effect of transaction risk mitigation on securities market financial performance of listed insurance firms in Kenya. Table 6 shows the variation in securities market financial performance that can be explained by securities market financial performance.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.487 ^a	0.237	0.219	0.6726

a. Predictors: (Constant), Transaction Risk Mitigation

The r squared (R^2) represents the proportion of variance in the outcome variable (securities market financial performance of listed insurance firms in Kenya) that can be explained by the predictor variable included in the model. In this case, as shown in Table 6, the R^2 was 0.237, indicating that approximately 23.7% of the variance in securities market financial performance of listed insurance firms in Kenya can be accounted for transaction risk mitigation.

Table 7: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.168	1	28.168	137.249	.000 ^b
	Residual	44.125	215	0.205		
	Total	72.293	216			

a. Dependent Variable: Securities market financial performance of listed insurance firms in Kenya

b. Predictors: (Constant), Transaction risk mitigation

The Analysis of Variation (ANOVA) results provide information about the overall fit of the regression model and the significance of the predictor in explaining the variance in the dependent variable (securities market financial performance of listed insurance firms in Kenya). As shown in Table 7, the F-statistic is 137.249 was greater than the F-critical of 2.372 from the F-distribution table. In addition, a significance level (Sig.) less than a chosen alpha level (commonly 0.05) indicates that the regression model is statistically significant. Therefore, a Significance Level of 0.000 indicates that the regression model is highly significant. The results show that the regression model, which includes transaction risk mitigation is highly significant in explaining the variance in securities market financial performance of listed insurance firms in Kenya.

Table 8: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.522	0.061		8.557	0.000
	Transaction Risk Mitigation	0.205	0.059	0.198	3.484	0.000

a. Dependent Variable: Securities Market Financial Performance

Regression equation was;

$$Y = 0.522 + 0.205X_1$$

The study findings indicated that transaction risk mitigation has a positive and significant effect on securities market financial performance of listed insurance firms in Kenya ($\beta_1=0.205$, p -value=0.000). This means that for every unit increase in Transaction Risk Mitigation, the dependent variable is expected to increase by 0.205 units. The p -value of 0.000 indicates that the relationship between Transaction Risk Mitigation and the dependent variable is statistically significant at the 0.05 significance level. These findings are in concurrence with Koskei (2017) observation that exchange rate transaction risk mitigation had a significant effect on stock returns of listed financial institutions. The findings are also in agreement with Al-Momani and Gharaibeh (2018) findings that foreign exchange transaction risk management had a significant effect on stock returns on firms listed in Jordanian Stock Exchange.

Conclusions

The study concludes that transaction risk mitigation has a positive and significant effect on securities market financial performance of listed insurance firms in Kenya. The study found that costs, repatriation of profits, agreements and overseas bank accounts have an effect on securities market financial performance of listed insurance firms. This shows that an improvement in transaction risk mitigation would lead to an improvement in securities market financial performance of listed insurance firms in Kenya.

Recommendations

Given the significant exposure of insurance firms engaged in foreign business activities to currency exchange risks, it is imperative for these firms to enhance their currency risk management strategies. This may include actively monitoring exchange rate fluctuations, implementing hedging mechanisms such as forward contracts or currency swaps, and diversifying currency holdings to mitigate the impact of adverse currency movements on financial performance. To minimize exposure to exchange rate risks associated with repatriating profits, insurance firms should streamline their repatriation processes. This can be achieved by optimizing the timing of profit repatriation, exploring alternative repatriation methods, and establishing clear protocols for converting foreign earnings into the home country's currency. Insurance firms should focus on preparing agreements with foreign counterparts in a structured manner, emphasizing clear terms in foreign currency to mitigate transaction risks. This includes conducting thorough due diligence on currency-related clauses, negotiating favorable terms, and implementing mechanisms to hedge against potential losses arising from unfavorable currency movements. Insurance firms should also develop comprehensive currency management policies, establish clear guidelines for utilizing foreign currency balances, and regularly review and adjust currency management practices in alignment with operational needs and market conditions.

Areas for Further Research

The general objective was to examine the effect of transaction risk mitigation on the securities market financial performance of listed insurance firms in Kenya. However, the study focused on listed insurance firms and hence the findings cannot be generalized to other insurance companies in Kenya. As a result, this study recommends that more studies should be done on the effect of transaction risk mitigation on the securities market financial performance of all the insurance firms in Kenya. The study found that transaction risk mitigation can explain 23.7% of the securities market financial performance of listed insurance firms in Kenya. As such, more studies should be conducted to examine other factors affecting the securities market financial performance of listed insurance firms in Kenya.

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