THE RELATIONSHIP BETWEEN TRANSPARENCY,

There has been increased public and academic discussion of issues related to corporate governance in most countries with active capital markets. Corporate boards worldwide have been attracting a great deal of attention in the past decade because of corporate failures and concerns about the performance of corporations and the way they are governed. Both firms and regulators are considering how best to ensure good corporate governance. The purpose of this research was to find out the relationship between corporate transparency, disclosure and company performance. The empirical research is based on insurance companies in Kenya.

The corporate transparency database for this study is created on a yearly basis for the period of 2008 to 2012. In accordance with the attributes defined by Standard & Poor’s in the Corporate Governance Forum, transparency and disclosure attributes, which are 105 in total for each company, are extracted from annual reports of the publicly held firms, afterwards converted into percentages in three different subcategories, which are ownership structure & investor relations information disclosure financial information transparency & board management structure information disclosure. This study summarized the attributes to 30 which are not stipulated in the corporate governance guidelines. Transparency attributes consist of 5 years (2008-2012) and 40 companies. The study found that return on assets and financial information disclosure and ownership and investor relationship were positively correlated and that the model used was significant since the significant values were less than 0.01 at 95% confidence levels. In light of this research, the researcher concluded that transparency and disclosure has positive effects on the financial performance of insurance companies and this can be
explained because improving the level of disclosure reduces information asymmetry and cost of capital therefore regulators should promote the level of transparency and disclosure.