

CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF LISTED INSURANCE FIRMS IN NIGERIA

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ABSTRACT

The effect of corporate governance (CG) on the financial performance of publicly traded Nigerian insurance companies was researched to learn more about that financial performance. An expo-facto research design was employed. The study's population and sample were the twenty-four (24) publicly traded Nigerian insurance companies as of 31st December 2021. Panel data from the financial statements of insurance companies for the years 2012 to 2021 was gathered, and panel corrected standard error regression was used to analyze the data. The findings revealed that corporate Governance elements have a significant impact on financial performance. This study also found that board size, board meetings, board independence, and audit committee size have a significant effect on return on assets. The study recommended that the defined minimum number of audit committee members at the listed insurance companies in Nigeria should be maintained. In addition, the study recommends that board size should match the code and that more meetings involving shareholders and their representatives should be held to improve company policies and strategies that can help increase financial performance.

Keywords: Corporate Governance, Financial Performance, insurance companies, Return on Asset, Panel corrected standard errors.

1.0 INTRODUCTION

Poor corporate governance practices are suspected to be the cause of the perpetual demise of insurance firms in Nigeria. Operators of the insurance sector have been asked to implement excellent corporate governance practices in line with their operations. A poor corporate governance system will lead to unfavorable results in every organization. It includes the loss of jobs, a jail sentence for board members, and the failure of the organization. Several corporate governance deficiencies have been uncovered because of the current global failure

of companies. The unprecedented corporate scandals that involved giant corporations such as Enron 2001, Swissair 2001, Pacific Gas and Electric 2001, WorldCom 2002, Consec 2002, Parmalat 2003, Delta Airlines 2005, and The CIT Group 2009, United Nigeria textile 2007 to mention but a few all collapsed, causing immense devastation all over the world, especially in Nigeria.

Insurance companies in Nigeria appear to be doomed because of poor corporate governance. Insurance industry businesses have been urged to adopt and adhere to best-in-class corporate governance standards. Every company will suffer when its corporate governance is weak. Loss of employment, possible jail time for board members, and the dissolution of the organization are all part of the outcome of poor corporate governance. The current worldwide failure of firms has revealed several flaws in corporate governance Globally and in Nigeria in particular, the collapse of once-mighty corporations like Enron (2001), Swissair (2001), Pacific Gas and Electric (2001), WorldCom (2002), Consec (2002), Parmalat (2003), Delta Airlines (2005), and The CIT Group (2009, United Nigeria Textiles, 2007) caused unimaginable havoc.

One of the worst financial crises of the 2000s was triggered by the 2008 collapse of insurance giant American International Group (AIG), when it was discovered that AIG had altered its financial data with the help of General Reinsurance Corporation, the corporation found itself in the middle of a whirlwind of scandal (GRC). As AIG had disclosed a revenue loss of around \$60 million and had requested a loan from GRC to help make up for this, GRC fabricated a \$250 million fictitious transaction between the two companies. Because no actual risk was transferred, AIG was not obligated to report the \$500 million in premium revenue on its income statement, which helped conceal the losses. Total increases in loss reserves in 2000 and 2001 exceeded losses recorded in both years, indicating a misleading increase in loss reserves. AIG directors have lied about the company's finances throughout the next five years to mislead investors, authorities, and policyholders.

In 2004, AIG was charged with carelessness, and the Attorney General's office decided to open an investigation. After the U.S. Securities and Exchange Commission (SEC) entered the probe that accused the corporation of fraud, AIG became the focus of an investigation. AIG was obliged to pay \$1.64 billion in civil fines, while several business leaders who helped in the fraud were also fined \$1.64 billion by the SEC. Given the large firms' exposure to the world market as well as their corporate governance and financial performance, this was a severe problem. The most frequent reason for corporate failure and underperformance, according to Garuba and Otomo (2015), is poor management and/or internal governance by the board and management. Poor management of Nigeria's banks is largely to blame for the unreliability of insurance businesses (Araoye & Ajayi, 2015). This fueled the conversation about corporate governance in Nigeria and brought it to the fore.

The success of a company hinges on its ability to achieve its mission and remain profitable, both of which are indicators of how well the business is performing. The purpose of this research is to determine the effect that variables like board size, board independence, board meeting frequency, and Audit Committee membership have on the financial performance of Nigerian insurance companies.

1.1 Statement of the Problem

As a result of poor corporate governance principles, some insurance businesses in Nigeria have filed for bankruptcy, others acquired by another strong insurance firm, while others opt for mergers (SEC 2004). In 2017 and 2018, the Nigeria Exchange Group penalized Standard Alliance, Cornerstone, Niger, and Universal Insurance companies for failing to adhere to good corporate governance principles in their audited annual reports.

There is a lot written about how corporate governance affects a company's performance, however, not much has been written on how corporate governance enhances the value of insurance firms in Nigeria. Many studies have found little to no correlation between good governance and performance. This includes studies by Akbar et al. (2016), Aribaba and Ahmodu (2017), Mwanburi (2017), Gambo et al. (2019), Olalekan (2019), While other scholars, including Badu and Nkumah (2017), Ibe et al. (2017), Datta (2018), Araoye and Olatunji (2019), They found that there is a strong correlation between good corporate governance and financial performance. Nonetheless, the results are mixed; some research suggests that good corporate governance leads to better company performance, while other studies find no such connection. There are gaps in research because studies have shown mixed results when examining the correlation between good corporate governance and firm performance. By employing listed insurance companies in Nigeria as its subject, this study aims to add to the body of knowledge already available on the effect of good corporate governance on financial performance.

1.2 Objectives of the Study

The study's primary objective is to analyze how corporate governance affects the financial performance of publicly-traded insurance firms in Nigeria. Given the study's main objectives, the following specific objectives have been outlined:

- i. Examine the effect of board size on Nigerian publicly-traded insurance firms' financial performance.
- ii. Analyze how board meetings affect Nigerian publicly-traded insurance firms' financial performance.
- iii. Analyze how board meetings affect Nigerian publicly-traded insurance firms' financial performance.
- iv. Determine the effect of board independence on a Nigerian publicly-traded insurance firm's financial performance.
- v. Evaluate the effect of the size of the audit committee on a Nigerian publicly-traded insurance firm's financial performance.

1.3 Hypotheses of the Study

The following null hypotheses were developed to accomplish the aforementioned objectives:

- i. **H01:** Board Size has no significant effect on a Nigerian publicly-traded insurance firm's financial performance.
- ii. **H02:** Board Meeting has no significant effect on Nigerian publicly-traded insurance firms' financial performance.

- iii. **H03:** Board Independence has no significant effect on Nigerian publicly-traded insurance firms' financial performance.
- iv. **H04:** The size of the Audit Committee has no significant effect on Nigerian publicly-traded insurance firms' financial performance.

1.4 Significance of the Study

This study's conclusions will be beneficial to several stakeholders in the insurance industry, including managers, employees, creditors, and financial analysts, to name a few. The conclusions of the study will support regulatory and statutory authorities as they fulfill their duties of developing a thriving capital market. Academics can also use this as a teaching and future reference source.

2.0 REVIEW OF RELATED LITERATURE

Conceptual, Theoretical, and Empirical Reviews are the three sub-sections that make up the review literature.

2.1 Conceptual Review

2.1.1 Concept of Corporate Governance

Corporate governance is an institutional framework and structure or principles that afforded some measure of security to all stakeholders of a company (Srivastava, 2019). It is a framework of policy, legislation, and operational guidelines which affects how businesses are managed and run. It's a set of regulations designed to make communication between companies and their stockholders more open and equitable. It is also defined as a system of regulations or policies that guide the management's responsibilities and obligations to shareholders and stakeholders to avoid fraud, misappropriations, or internal criminality. The definition of corporate governance from Khatab et al. (2011) states that it is a collection of policies, processes, regulations, and institutions that control the way an organization is handled.

2.1.1.1 Board Size

A company's "board size" refers to the totality of its board of directors (Robert, 2011). Board size is essential because the number and quality of board members in a corporation impact the corporate success and board effectiveness. On the other hand, however, there is ongoing disagreement on the appropriate board size, with some believing in smaller board sizes and others believing in larger board sizes. The NAICOM code 2021, limits the number of insurance, reinsurance, and loss adjusting company directors to seven to fifteen members, respectively.

2.1.1.2 Board Meetings

At the board meeting, the company's directors discuss and make decisions on a wide range of issues (Robert et al., 2011). A board meeting can also be defined as each time the board of directors gets together to discuss issues critical to the continued existence of the company.

The average number of meetings held by a board of directors per year is a good indicator of the effectiveness of that board (Chechet et al, 2013, Al-Matari et al, 2014). The number of board meetings per year as highlighted by Laksmana (2008) is an essential indicator of the board's control of operations, and a good metric of corporate governance. The study found that when meetings were held more frequently, information was shared better and better decisions were made, which ultimately led to better business results.

2.1.1.3 Board Independence

If there are more non-executive directors on a board than executive directors, the board is said to be independent. Non-executive directors are different from executives in that they are not employed by the company or in any other way linked with it. (Yusuf et al 2018). Independent directors are regarded to have strengthened the board by keeping a close eye on management actions and making sure investors' interests are protected (Petra, 2007). A non-executive director board has a better chance of being independent of management, which means that it will protect the interests of other stakeholders. Disinterested people are included on the board of directors as an extra safeguard for board independence. In the 2011 SEC Code, non-executive directors are described as directors who are not substantial shareholders of the firm and who are not working on behalf of or representing any shareholder that has the power to control or influence management. In this study, "Board Independence" refers to the proportion of non-executive directors on the board. According to a review of NAICOM Code 2021, the percentage of executive directors on the board cannot be greater than 40%.

2.1.1.4 Audit Committee Size

The audit committee's primary responsibility is to plan, oversee, and put in place financial reporting processes for businesses that will improve corporate governance. It also has a responsibility to analyze the financial report, select the independent auditor, and ensure that both internal and external parties receive the audited reports. The audit committee assists the board of directors in carrying out its responsibilities regarding internal control, risk management, and audit procedures for the organization. The board of directors' operating subcommittee responsible for monitoring financial reporting and disclosure is the audit committee. In addition to these responsibilities, they are in charge of overseeing the audit process, which involves checking the choice, efficiency, and impartiality of the external auditors, as well as the financial reporting and disclosure process.

2.1.2 Financial Performance

Various accounting and Market-based measurements can be used to evaluate a company's financial performance regarding its goals and objectives. A company's financial performance can be defined as its capacity for growth while effectively allocating available resources to sustain a competitive advantage. Superior results are achieved when management makes good use of available resources, which in turn supports economic growth (Mazviona, et al. 2017). A company's financial performance is the quantitative manifestation of the outcomes of its policies and operations. Financial performance is quantified and reported results of an entity's policies, operations, and activities in financial terms over a given period. To get the full picture of a company's financial performance, various metrics can be used, but they should be considered together. Use the numbers from either "revenue from operations,"

"operating income," or "cash flow from operations," depending on your needs. Tobin's Q, the ratio of market value to total asset value, and return on equity (ROE) are two financial metrics used to assess a company's profitability and overall financial health, respectively. Indicators of financial success, especially in the insurance industry, include return on assets (ROA) and return on equity (ROE) (Mazviona et al. 2017; Shawar & Sidiqqi, 2019). Tobin's Q was used as a financial performance indicator, and several publicly-traded insurance companies in Nigeria were studied.

2.2 Theoretical Framework

2.2.1 Agency Theory

Jensen & Meckling created agency theory (1976). The agency relationship was defined as a kind of contract in which the principal keeps the agent on his behalf to perform the services of the company. Jensen and Meckling suggested the hypothesis of how the governance of the firm is based on conflicts of interest among its founders, managers, and key providers of debt funding. Each party has different priorities and objectives. The notion of the agency indicates that managers' opportunistic behavior should be limited to preserve owners' interests. In addition, management should be monitored to limit their interest at the price of organizational profits (Muth & Donaldson, 1998). According to Agrawal and Knoeber (1996), numerous strategies such as employee option plans, expanding block owners and institutional investors, non-executive directors' participation, debt contracts, etc. might mitigate this conflict of interest.

The theory of the agency promotes the idea of separation between the CEO and the Chairman to increase management independence and improve performance through improved monitoring and supervision (Jensen, 1993). In this context, the shareholders who are the owners of the companies are considered to be directors, whilst the directors are considered agents.

2.2.2 Stakeholders Theory

Freeman developed the theory (1984). The premise is that managers in Organisations, such as employees, shareholders, suppliers, business partners, and contractors, have a network of links to serve. However, this philosophy is designed to defend stakeholders' interests. The notion of the stakeholders recommends representing the many interest groups on the board to reach consensus, avoid disputes and synchronize efforts to attain the organization's objectives (Donaldson & Preston, 1995).

The shareholder model of corporate governance is based on the notion that stakeholders have the moral and legal right to lead the company since their ownership extends to their natural right to possess private property. Berle and Means (1932) pointed out that there was a great deal of myth about stakeholders ruling the company. "Managers typically have the greatest power." However, Etzioni (1998) wonders whether "managers can and should be made more responsible and responsive for certain groups, which groups should be included. Etzioni (1998) endorses the stakeholder's position that the argument that shareholders have certain rights and entitlements as a result of their investments is morally justifiable, but says, "The same core claim should be extended to all investors in the company. Freeman (1999) noted

that "If organizations wish to be effective, all interactions that may influence or be influenced by the achievement of the organization shall be taken into account. In other words, the management of stakeholders is pragmatic. Regardless of the content of the company's objective, the effective company shall handle relations that do not matter. Stakeholders' theory underpinned the study because the study aimed at satisfying the interest of shareholders and other stakeholders.

2.2 Empirical Review

In their research, Aribaba and Ahmodu (2017) examined how corporate governance structures affected the profitability of publicly-traded insurance companies in Nigeria. The research period included the years 2009-2015 and contained data from nineteen (19) insurance companies. Judgmental Sampling was utilized to acquire secondary data from the annual financial statement. The study employed the Panel OLS Regression technique to analyze the data. The findings revealed that having more people on the board is correlated with poorer financial performance.

137 Ghanaian and Nigerian companies were analyzed by Badu and Nkumah (2017) to see how board size affected company performance. The study's participants were 967 businesses in Nigeria and Ghana, and data collection took place between 2008 and 2014. The GMM regression was used to analyze data collected from the annual reports and stock exchanges of both countries. According to the findings, a large board has a favorable significant effect on corporate performance.

Ibe et al. (2017) investigated how corporate governance practices affected the financial performance of Nigerian publicly-traded insurance companies for five years, from 2011 to 2015. The study, which employed an ex post facto design contained 31 publicly-traded insurance companies. A sample size of twenty (20) companies was chosen using purposively. Secondary data was gathered and evaluated using multiple regression techniques. The findings revealed that the number of board independence and the board size have a significant and adverse effect on financial performance.

Mwamburi (2017) evaluated the effects of corporate governance practices on the financial performance of publicly-traded insurance businesses in Kenya for 5 years from 2011-2015. The study employed a cross-sectional and research analytical approach. The study population comprised 49 Kenyan insurance companies which also served as a sample. Data were analyzed using the spearman correlation and multiple regressions. These findings show that the size of the board and other corporate governance measures are not significant predictors of the financial performance of insurance companies in Kenya.

2.3 Gap in the Literature

It was the focus of Araoye and Olatunji's (2019) study to determine how corporate governance practices affected the financial performance of publicly-traded insurance firms in Nigeria. Secondary data from the annual audited accounts of 15 randomly chosen insurance companies operating from 2004 to 2017 were used for the analysis. The panel regression method was used to analyze the data collected. The study found that publicly-traded insurance companies in Nigeria benefited greatly from good corporate governance.

For a period of seven years, from 2012 to 2018, Adejare and Aliu (2020) assess the impact of board members' independence on the financial performance of publicly-traded insurance businesses in Nigeria. With 22 listed insurance companies as its population and its sample, the study used an ex-post factor research approach. Regression was used to analyze secondary data that was taken from the insurance companies' annual reports. The study's findings indicate that the financial performance of publicly-traded insurance companies is positively and significantly affected by the presence of independent directors on the board.

Gambo et al. (2019) examined the impact of board meetings and board independence on the financial performance of publicly-traded insurance companies in Nigeria. To conduct the research, a sample of 17 out of 26 insurance companies was chosen after applying a certain filter. Panel regression was used to analyze the secondary data gathered. The results indicate that board meetings do not significantly affect stockholder returns.

Olalekan (2019) evaluated the influence of Audit Committees, using the case study of selected banks, on company performance in Nigeria for five years from 2011 to 2015. The population comprised 23 banks, eight of which were selected using a purposeful sampling technique as sample size. Secondary data were obtained from banks' annual reports and analyzed via OLS Regression through the help of EViews software packages. The findings showed that the size of the audit committee, the frequency of the meetings of the audit committees, and their financial literacy do not influence the performance of the companies in Nigeria.

3.0 METHODOLOGY AND DESIGN OF THE STUDY

The study adopted a mainly descriptive research design and ex post facto with twenty-four insurance firms trading on the Nigerian Exchange Group as of the year 2021 as the population and sample for this study. The full list of the companies that make up the study's population is shown in Appendix A. All the data for the period (2011-2020) used in this study, came from secondary sources. This is because the study is ex post facto in nature that is the event has already taken place. The study's model specification was built from the study's chosen variables. Tobin's Q was used as a proxy for financial performance, while board size, audit committee size, board meetings; and board independence were used as proxies for corporate governance. Table 1 displays the a priori expectations and variable measurements.

Table 1 displays the a priori expectations and variable measurements.

Variable	Type	Measurement	Source	Apriori Sign
ROA = Return on Asset	dependent	$\frac{\text{Profit after tax}}{\text{Total Asset}}$	Gambo et al. (2019).	+
BS=Board Size	Independent	Total number of Directors serving in the organization	Ibe et al (2017).	+
BM=Board Meeting	Independent	This is the percentage of BODS meeting during a financial year	Gambo et al. (2019).	+
ACS=Audit Committee Size	Independent	The number of members constituting the audit committee	Olalekan. (2019).	+

BI=Board Independence	Independent	proportion of non-executive directors to total directors)	Adejare and Aliu. (2020). +
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Source: Developed by the Researcher 2022

3.1 Empirical Specification of Model

Financial performance was used as the dependent variable, and the model was fit using a multivariate linear regression methodology to identify the independent variables that best explain the dependent variable. Specifically, the study used a modified version of the Model proposed by Felix and Emmanuel (2019).

$$ROA_{it} = \alpha_0 + \beta_1 BS_{it} + \beta_2 BM_{it} + \beta_3 BI_{it} + \beta_4 ACS_{it} + e_{it} \text{ ----- (i)}$$

Where;

ROA = Return on Asset proxy for financial performance

BS = Board Size

BM = Board Meeting

BI = Board Independence

ACS = Audit Committee Size

α_0 = Constant

β_1 - β_4 = Coefficient of the variables used in the study

it= Company i in year t

e_{it} = the error term which accounts for other possible factors that could influence ROA_{it} that are not captured in the model.

The variance inflation factor (VIF) test was performed to test for multicollinearity among independent variables, the Shapiro-Wilk (W) test was conducted to test for normality, and the Breusch Pagan test was conducted to assess for heteroscedasticity to determine if the data in this study fit the aforementioned model.

4.0 RESULTS AND DISCUSSION OF THE FINDINGS

Table 2: Summary of Descriptive Statistic for the Research Variables

Variables	Mean	Std. Dev.	Min.	Max.	Skewness	Kurtosis	Obs.
ROA	9.789953	83.56837	-188.0435	1222.873	12.84524	188.4196	238
BSIZE	9.5625	2.375839	4	17	.3901058	3.505699	240
BMTNG	4.631356	1.249558	3	10	1.732408	6.948793	236
BINDP	64.73787	11.828	25	90.91	-.4815173	3.191409	240
ACSIZE	5.7	.7554544	4	8	-1.368874	4.301924	240

Source: STATA 13.0 Output Results

Table 2. Shows the descriptive statistics account for the dependent and the independent variables. ROA = Return on asset, BINDP=Board Independence Board, ACSIZE=Audit Committee Size. SIZE=Board Size, BMTNG=Board Meetings. Table 2 shows an average return on assets of 9.789953 and a standard deviation of 83.56837. The Return on asset figures differs from either side of the average by 83.56837 with a minimum and highest value, respectively, of -188.0435, and 1222,873. This finding reveals that the return on assets of the study companies is comparatively distributed between companies. The table demonstrates that the asset is positively skewed with a 12.84524 coefficient, which means that most data fall on the right side of the normal curve. The 188.4196 Kurtosis coefficient has demonstrated that the data are not normally distributed.

In a similar vein, the average number of directors serving on company boards during this time frame was 9, with a standard deviation of 2.37539. This demonstrates that the board size data is extremely dispersed around the mean, with standard deviations of 2.37539. Board size can range from 4.00 to 17.00. The size of the board is likewise positively skewed with a .3901058 coefficient, which means that most information falls on the right side of the curve. The kurtosis of 3.505699 showed that the data is not normally distributed. The average value of Board meetings was 4.631356 and the standard deviation was 1.249558 correspondingly. The low value of the standard deviation explains the extent to which the meetings are spread around the study company. The lowest and maximum values range from 3 to 10. This shows that none of the companies under review conducted meetings less than 3 times and none held more than 10 times throughout the periods under consideration. Board Meetings are likewise skewed positively by a coefficient of 1.732408, which means that majority of the data is on the right side of the normal curve. The kurtosis coefficient of 6.948793 showed that the data is not normally distributed.

Board independence recorded an average percentage of non-executive directors, representing a total of about 64.73 percent, meaning that most of the listed companies in the sample had non-management board members as executive directors. It also recorded a minimum value of 25 and a maximum value of 90.9, meaning that for the insurance firms sampled, the minimum percentage of non-executive board directors is 25 percent, while the maximum number is 90.9 percent. This indicates a slight variance by the value of a standard deviation of (11.828 percent) which is lower than the mean value of the executive board members across the studied companies. Board independence is likewise negatively skewed, which means most of the data fall on the left side of the normal curve with a factor of -.4815173. The kurtosis coefficient of 3,191409 demonstrated that the data are distributed abnormally. Similarly, the size of the Audit Committee is an average of 5.7 which shows that most organizations have an audit committee with an average of about six (6) members. It also states that the majority of corporations conform to the Corporate Governance Code, as the estimated number conforms to the rules. Audit Committee Size is likewise negatively affected by the -1.368874 coefficient, which means that most data are on the left side of the normal curve. The kurtosis of 4,301924 has demonstrated that the data is not normally distributed.

4.1 Diagnostics Test

Tests for multicollinearity, heteroscedasticity, and the Jarque-Bera are just a few of the robustness tests used to ensure the results presented here are accurate and trustworthy.

Table 5: Multicollinearity test

<i>multicollinearity test</i> Variable	VIF	1/VIF	<i>Heteroskedasticity test</i>		<i>Jarque-Bera test</i>	
			coefficient	p value	coefficient	p value
BSIZE	1.07	0.934349	1172.21	0.0000	50.52	1.11
BMTNG	1.05	0.947921				
BINDP	1.02	0.976210				
ACSIZE	1.01	0.986832				
Mean VIF	1.04					

Sources: STATA 13.0 Output Results

A test for multi-collinearity was conducted to make sure that there wasn't any strong association between the independent variables that could affect the findings. There was no multicollinearity in the data as shown by the tolerance values. This conclusion was reached because Gujarati (2004) suggests that if a variable's mean VIF is less than 10, then there is no multicollinearity issue with that variable. The tolerance values were consistently below 1.00, providing further evidence that there was no multicollinearity between the predictor variables. Each of the predictor variables BSIZE, BMTNG, BINDP, and ACSIZE had a variance inflation factor (VIF) of 1.07, 1.05, 1.02, and 1.01, respectively, with a corresponding tolerance value of 0.934, 0.947, 0.976, and 0.986 respectively.

4.2 Heteroscedasticity Test:

From the result in table 5 above the Breach Pagan/Cook-Weisberg coefficient is 1172.21 with a p-value of 0.0000, which revealed the presence of heteroscedasticity in the dependent variable, which was corrected with Panels corrected standard errors, (PCSEs).

4.3 Jarque-Bera Test:

The p-value for the test of significance is 1.1, and the coefficient is 50.52. This result confirms that the data are normally distributed, thus accepting the skewness and kurtosis null hypothesis, thereby necessitating further regression analysis.

Table 6: Hausman & Lagrangian Multiplier Test

	Chi-Square Stat	Probability
Hausman Test	3.04	0.5513
Langrangian Multiplier Test	0.0000	1.0000

Source: STATA 13.0 Output Results

The Hausman test in Table 6 above reveals that the P-value (0.5513) is greater than 5%, suggesting the usage of a random effect regression as the optimal yardstick for making a

statistical decision. Using the Langrangian multiplier test to determine the probability of using the Pool OLS or the Random effect model, the result should be a chi-square value of 0.000 and a 0.000 p-value, the null hypothesis is rejected, and the random effect regression is recommended.

4.4 Regression Results

This session presents the regression results of the dependent variables' return on asset (ROA) and the independent variables of the study, followed by the analysis of the association between the dependent variables and each independent variable.

Table 7: Summary of Regression Result

ROA				
Variables	Coefficient	Std. Err.	T	Sig p
CONST	206.5029	45.05902	4.580	0.000
BFSIZE	-5.389012	1.529891	-3.52	0.000
BMTNG	6.131258	1.868511	3.28	0.001
BINDP	-.8005113	.2682029	-2.98	0.003
ACSIZE	-21.39749	4.44127	-4.82	0.000
R ²				0.0663
F. Sig				0.0000

Source: STATA 13 Output Results

5.0 DISCUSSION OF RESEARCH FINDINGS

H₀₁: Board Size has no significant effect on a Nigerian publicly-traded insurance firm's financial performance.

A negative and statistically significant relationship between board size and return on asset was established for Nigerian publicly-traded insurance firms (coefficient = -5,389, P = 0.000). Hence the study rejects the null hypothesis. The findings differ from the study's aprior expectations, which held that there was a positive correlation between board size and financial performance. The results from the study showed that an increase in board size will adversely and significantly affect the financial performance of publicly quoted Nigerian insurance companies. The outcome of the study is consistent with the findings of Ibe et al. (2017) and is in contrast with those of Aribaba and Ahmodu (2017), and Mwamburi (2017), which showed that board size had an insignificant influence on financial performance. The difference in findings was caused by the fact that while Mwamburi (2017), Aribaba, and Ahmodu (2017), studied insurance firms for 5 and 7 years respectively, using Spearman correlation and panel multiple regression to analyze the data, the present study was conducted using publicly quoted Nigerian insurance companies for 10 years using Panel corrected

standard errors (PCSEs) as a technique of data analysis and ROE as a proxy for financial performance

H₀₂: Board Meeting has no significant effect on Nigerian publicly-traded insurance firms' financial performance.

There is a statistically significant positive association between a board meeting and financial performance, as measured by return on equity (coefficient = 6.131, $p = 0.001$). This suggests that, if there were more board meetings, the company's performance would improve. As a result, the study rejects the null hypothesis and concluded that board meetings have a substantial positive effect on Nigeria's publicly-traded insurance companies' financial performance. This finding is in line with the study's apriori expectation. The findings of the study revealed that board meetings positively and significantly affect Nigerian publicly-traded insurance companies' financial performance, which means that Nigerian insurance companies benefit from an increase in board meetings. Our findings are consistent with those of Datta (2018), who all found that board meetings have a substantial positive effect on ROA, but at variance with those of Gambo et al. (2019), who found a positive but insignificant association between board meetings and ROA. Differences in the result are because Gambo et al. (2019) study were for just a year, while the present study was conducted for 10 years using Panel correction standard errors (PSCes) to analyze the data and ROA as a proxy for financial performance.

H₀₃: Board Independence has no significant effect on Nigerian publicly-traded insurance firms' financial performance.

Based on the -0.800 coefficient and P-value of 0.003, the rejects the null hypothesis and concludes that board independence has a negative significant effect on Nigeria's publicly-traded insurance companies' financial performance. The findings of the study are not in line with the apriori expectation. This reveals why the financial performance of Nigeria's publicly-traded insurance companies will decline for every unit rise in board independence. These findings are consistent with those of Adejare and Aliu (2020), who showed that board independence significantly affects financial performance, but at variance with those of Ibe et al. (2019) who discovered that board independence has no significant effect on financial performance. The difference in results among the studies emanated from the technique of data analysis, industry, and period of study. Ibe et al. (2019) conducted a study on quoted Nigerian insurance firms for 5 years, data was analyzed using OLS regression, while the present study was conducted in the insurance industry for 10 years using Panel corrected standard errors (PCSEs) to analyze the data and ROA as a proxy for financial performance.

H₀₄: The size of the Audit Committee has no significant effect on Nigerian publicly-traded insurance firms' financial performance.

Specifically, the coefficient was -21.397 and the P-value was 0.000, demonstrating that audit committee size has a negative significant effect on Nigeria publicly-traded insurance companies' financial performance. As a result, the study rejects the null hypothesis and concludes that the size of audit committees significantly affects Nigeria's publicly-traded insurance companies' financial performance. An increase in the size of the audit committee

would lead to a decrease in the financial performance of Nigerian publicly-traded insurance corporations.

The outcome of the study is not in line with the apriori expectations. This explains why the financial performance of publicly quoted Nigerian insurance firms decline with an increase in audit committee size. Though it disagrees with Olalekan (2019) who found that there is an insignificant relationship between audit committee size and financial performance. This discrepancy results from a different data analysis method, time frame, and industry covered. Olalekan (2019) studied quoted deposit money banks in Nigeria for 5 years, using OLS regression to analyze the data, while the present study was conducted using publicly quoted insurance companies in Nigeria for 10 years, using Panel corrected standard errors regression (PCSEs) to analyze the data and ROA as a proxy for financial performance.

6.0 CONCLUSION AND RECOMMENDATION

6.1 Recommendations

Based on the findings and conclusions reached, the study has the following recommendations:

- i. The listed Nigerian insurance companies should ensure that the size of their board of directors is consistent with the corporate governance code and benchmark as given by NAICOM since an increase therewith leads to a decline in the financial performance and the management of insurance companies should reduce the expenditure incurred in maintaining the board of directors.
- ii. Listed insurance firms in Nigeria should ensure that the relevant board of directors meeting follows the directives laid down and ensure that attendance is compulsory and members who fail to meet the minimum number of attendance should be fine. The number of meetings could potentially be increased as the maximum meetings to be held are not benchmarked, and hence affect performance.
- iii. Nigerian listed insurance companies should ensure the independence of most of their board members. This means that the majority of board members must not be corporate workers and should not be dependent on the firm to sustain themselves so that they can honestly and without fear supervise the activities of the CEO and other executive directors. This helps to restrict CEO and executive directors from taking undue advantage or exploiting stakeholders
- iv. Listed Nigerian insurance companies should ensure that the size of the audit committee is consistent with company requirements. They should also foster the independence of the audit committee to facilitate the performance of its role in preventing and detecting mistakes and fraud. This promotes selflessness, integrity, responsibility, and honesty which are the values of good corporate governance.

6.2 Limitations of the Study

The study is limited exclusively to one specific industry, namely listed insurance companies in Nigeria; hence the findings and recommendations only apply to insurance companies within the period of the study since other financial metrics could result in different findings.

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