2021 INTERNATIONAL CONFERENCE ON ACCOUNTING AND FINANCE (ICAF)

ACCOUNTING AND FINANCE PROGRAMME
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES (COMSS)
BOWEN UNIVERSITY, IWO, OSUN STATE, NIGERIA

29 NOVEMBER – 1 DECEMBER 2021

THEME

ACCOUNTING AND FINANCE PROFESSION – FOSTERING SUSTAINABILITY INITIATIVES

PUBLISHED IN THE

INTERNATIONAL CONFERENCE ON ACCOUNTING AND FINANCE PROCEEDING

(ISSN: 2814-0257)

VOLUME 2

THE EFFECT OF CORPORATE GOVERNANCE PRACTICES ON FINANCIAL PERFORMANCE OF LISTED INSURANCE COMPANIES IN NIGERIA

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ABSTRACT

Corporate governance is an important mechanism for the efficient running of an organisation. Sub-optimal performances, large scale misappropriation of fund, management inconsistence and the attendant corporate failures have amplified considerable interest in corporate governance. This study investigates the relationship between corporate governance practices and financial performance of listed insurance companies in Nigeria. Specifically, the study determines corporate governance variables on Return on Asset (ROA), Return on Equity (ROE) and Tobin's Q (TQ) of the listed insurance companies in Nigeria. The result shows that the profit of the listed insurance companies fluctuated over the period under consideration using return on asset (ROA) and Return on Equity (ROE) as basis. It was further discovered that corporate governance measures jointly have positive and significant relationship with financial performance. The study therefore concludes that corporate governance practices significantly affect the financial performance of listed insurance companies in Nigeria.

Keywords: Financial Performance, Corporate Governance Practices, Listed Insurance Companies, Return on Equity, Return on Asset

INTRODUCTION

The concept "corporate" has become an issue which has attracted the attention of many other issues including governance, objectives, window dressing, marketing, and fraud. People talk of corporate fraud, corporate objectives, corporate dressing, and corporate governance all over the world. Corporate governance seeks to assess the way companies are run to assess the performance of their businesses and whether they are in accordance with business ethics as well as rules and regulation.

Corporate governance focuses on the structures and processes for the business direction and management of firms. It involves the relationships among company's controlling system, roles of its board of directors, shareholders, and stakeholders. Duc and Tri (2014) posited that good corporate governance is related to transaction cost and, in turn, enhances firm performance. Weak corporate governance reduces investors' confidence and discourages foreign investment.

Many listed insurance companies are characterized by numerous shareholders having no management role and managers with no equity interest in the firm. Shareholders, or owners' equity, are generally large in number, with an average shareholder owning a very small proportion of the shares of the firm. This gives rise to the tendency for such a shareholder to take no interest in the monitoring of managers, who, left to themselves, in pursuing a different interest from those of the owners of equity (shareholders).

The compatibility of corporate governance practices with global standards has also become an important part of corporate success. The term "corporate governance" is a common and rampant terminology used in both public and academic debates. In the last two decades, however, corporate governance issues have become important not only in the academic literature, but also in public policy debates. Corporate governance deficiency resulted in takeovers, financial restructuring, and institutional investors' activism (Ahmadu, Aminu & Turkur, 2005). Velnampy (2013) asserted that corporate governance deals with the ways in which providers of capital to corporations assure themselves of getting returns on investment.

Corporate governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Shleifer & Vishny, 1997). This means that corporate performance will be largely influenced by the various corporate governance mechanisms used by firms. Invariably, if these mechanisms do not exist or do not function properly, foreign investors would not lend fund or provide finance to firms or buy their equity securities based on their assessment of the firms' performance through their respective financial statements. Thus, businesses would be forced to rely entirely on their own internally generated cash flows and accumulated financial resources to finance ongoing operations as well as profitable investment opportunities. Therefore, the overall economic performance would likely suffer because many good business opportunities would be missed. Corporate governance practice is a mechanism that is employed to reduce the agency cost that arises because of the conflict of interest that exists between managers and shareholders. The conflict emanates, almost naturally, because the separation of ownership from control of the modern day business places the managers at a privileged position that gives them the latitude to take decisions that could either converge with or entrench the corporate governance developed as a way of ensuring that providers of funds receive a return on their investment by protecting them against management expropriation or use of the investment capital to finance other projects that are not in consonance with the existing ones. The corporate governance mechanism specifies the distribution of rights and responsibilities among different participants in the corporation such as boards, managers, shareholders, and other stakeholders and spells out policy, rules, procedures and also offers decision-making assistance on corporate affairs. Good corporate governance shields a firm from vulnerability to future financial distress (Baghat & Jefferis, 2002).

The word performance deals with how the result of an action is being assessed. Any activity that seeks to make profit by providing goods and services is a business. How a business performs is very essential to the board and other stakeholders of a listed company. Generally, investors invest their resources in a business to get some returns on their investment and this depends on the performance of the business. Financial performance can be seen as a major index which the owners or stakeholder can use to appraise the company in the long run. This may come in form of the profitability ratios disclosed in the financial statement of the company. These profitability ratios include return on sales (ROS), return on equity (ROE), return on assets (ROA). Performance can also be measured in qualitative term like corporate social responsibility aspect of accounting. However, this study focused only on the financial performance of insurance companies listed on Nigerian Stock Exchange between 2006-2017.

Financial statements serve as one of the most important ways for companies and other businesses to review their operating performance and position to investors, regulators, analysts and other stakeholders. It serves as a means of presenting the internal information to the public. The preparation and presentation of financial statement is also desired to fulfill all principles, standards and other statutory guidelines and professional frameworks to reflect a company's wealth and activities of financial performance through a transparent accounting system which serves as the right tool to assess the true and fair evaluation of a company either manufacturing, agriculture or other sectors (Olasupo, 2014).

Financial performance is an important concept that relates to the way in which financial, material, and human resources available to an organization are judiciously used to achieve the overall corporate objective of an organization. It keeps the organization in business and creates a greater prospect for future opportunities. Corporate governance practices enable the attainment of building credibility, ensure transparency and accountability as well as maintain an effective channel of information disclosure that would foster good corporate performance. It is therefore crucial that insurance companies observe a strong corporate governance ethos (Onakoya, Ofoegbu & Fasanya, 2015).

The development of corporate governance practices is extensively documented as one of the crucial elements in consolidating the foundation for the long-term economic performance of corporations and countries (Ibrahim, Rehman & Rahoof, 2010). Corporate governance practice is an important necessity that keeps on running a firm to success by giving value to stakeholders in the business world (Abu, 2006) which also increases the long-term value of firms (Imam & Malik, 2007). Corporate governance practice issues arise from the power of certain controlling shareholders over minority shareholders. At the same time, in certain areas, employees have important legal rights irrespective of their ownership rights. The principles therefore have to be complementary to a broader approach to the operation of checks and balances.

Effective corporate governance mobilizes the capital annexed with the promotion of efficient use of resources both within the company and the larger economy. Good corporate governance ensures the accountability of the management and the Board. The Board of directors will also ensure strict compliance and take impartial decisions for the betterment of the company. It is understood that efficient corporate governance will make it difficult for corrupt practices to develop and take root, though it may not eradicate them immediately. Australian standard (2003), defined corporate governance as the process by which organizations are directed, controlled, and held to accountability. This implies that corporate governance encompasses the authority, accountability, stewardship, leadership, direction, and control exercised in the process of managing organizations. Corporate governance focuses upon the principal–agent problems arising from the dispersed ownership in the modern corporation.

Corporate governance describes the structure of rights and responsibilities among the parties that have a stake in a firm (Aguilera & Jackson, 2003). The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly state the division of responsibilities among different supervisory, regulatory and enforcement authorities

Corporate governance describes the structure of rights and responsibilities among shareholders in a firm (Aguilera & Jackson, 2003). A corporate governance system can be a set of processes and structures used to direct a corporation's business. A key objective of a corporate governance system should be the enhancement of shareholders wealth. Once implemented, an effective corporate governance system can help to ensure an appropriate division of power among stakeholders, the board of directors, and management (Mcconomy & Bujaki 2000). According to Bairathi (2009), corporate governance is not just corporate management; it is something much broader to include a fair, efficient, and transparent administration to meet certain well-defined objectives and structures used to direct a corporation's business. In other words, the relationships of the board of management with stockholders should be characterized by candor; their relationships with employees should be characterized by fairness; their relationships in the communities in which they operate should be characterized by good citizenship, and their relationships with government should be characterized by commitment to compliance (Anya, 2003).

Hence, Nigeria listed insurance companies like many other economic organizations are expected to generate profit through effective and efficient utilization of resources (inputs) to create sound asset portfolio (output) and ensure continuity. These are in a bid to compensate adequately for the investor's contribution and the service provider as well, if corporate governance has to be used as a yard stick in determining financial performance. Financial performance, therefore, could be seen in terms of how the management operates and the result of its actions. Therefore, financial performance could be seen in terms of the absolute profits, rate of return, earnings per share, the quality of asset portfolio, level of liquidity and net contribution to the economic development of the nation. Performance, however, is not determined by inputs alone, but is also dependent on the environment within which the firm operates (Anya, 2003).

Insurance companies' activities most especially the listed ones were investigated. Hence, this study focuses on the corporate governance mechanisms and financial performance of listed insurance companies in Nigeria.

The study is useful to listed insurance companies especially as the findings of the research may sensitize them to the need for good corporate governance in their organizations. This implies that shareholders and all other stakeholders in insurance companies would be willing to commit their hard-earned earnings into a conducive environment that favours a good return on their investment. Hence, this study on corporate governance practices and financial performance will reposition the confidence of all the parties in the company in line with their interest. The institutionalization of good corporate governance in Nigeria could be beneficial to shareholders and help to promote financial performance and protect the shareholders' interest.

It is expected that Government at all levels (Federal, State and Local) would find this work very interesting and useful as it reveals the extent of compliance with corporate governance code in Nigeria. In relation to listed insurance companies, corporate governance code of conduct is designed to ensure that listed insurance companies within the shore of Nigeria have in mind, the interest of fund providers as well as the need to resolve agency problems.

Finally, scholars, researchers, and students would find the work useful as it enhances the existing literature on corporate governance practices of insurance companies in the country. This study is also significant because it analysed the relationships between four out of the major corporate governance internal mechanisms and financial performance in a key segment of the Nigerian Financial Sector, thus providing more empirical evidence on the influence of board size, board composition, board meeting and board diversity on firm performance using Return on Asset (ROA), Return on Equity (ROE) and Tobin's Q as measures of performance.

LITERATURE REVIEW

Corporate Governance

According to Kwakwa and Nzekwu (2003), corporate governance is a 'vital ingredient in the balance between the need for order and equality in the society; promoting the efficient production and delivery of goods and services; ensuring accountability in the house of power and the protection of human rights and freedoms. Governance is, therefore, concerned with the processes, systems, provisions, practices, and procedures that govern institutions, the way these rules and regulations are applied and followed, the relationships created by these rules and nature of the relationships. Corporate governance, on the other hand, refers to the way the power of a body corporate is exercised in accounting for the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholders' value and the satisfaction of other stakeholders, while attaining the corporate mission (Kwakwa & Nzekwu, 2003).

Donglas (2009) viewed corporate governance as "an internal system encompassing policies, processes and people which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity and integrity". In other words, it defines the legal, ethical, and moral values of a corporation to safeguard the interest of its stakeholders. The aim of corporate governance is to ensure that corporations are managed in the best interest of their owners and other stakeholders (Ahmed, Alam, Jafarr & Zarmum, 2008).

Quaiser (2011) viewed corporate governance as a mechanism where a board of directors is an essential monitoring device to minimize the problems in principal-agent relationships. In this context, agents are the managers, principals are the owners and board of directors, who are the representatives of the principal act as the monitoring mechanism. The separation of ownership from control of companies could lead to managers of firms taking actions that would not maximize shareholder's wealth but benefit the managers but not the company. Therefore, a monitoring mechanism is required at the culmination of every financial crisis. Academics, regulators, and governments among others, tend to focus on the corporate governance practices more vigorously to enhance investors' confidence and attract investments.

Oyejide and Soyibo (2001) viewed corporate governance from two perspectives; a narrow one in which it is viewed merely as being concerned with the structures within which a corporate entity receives its basic orientation and direction; and a broad perspective in which it is regarded as being the heart of both a market and democratic society. Lemo (2010) stated that corporate governance is a body of the rules by which companies are managed and supervised by the board of directors to protect the interest and financial stakes of shareholders that are far removed from the management of the firm.

Akingunola, Adekunle and Adedipe (2013) explained corporate governance as a set of mechanisms which ensure that potential providers of capital receive a fair return on their investment because the ownership of firms is separated from control. Corporate governance also promotes efficient use of resources within the firm and the large economy, it additionally expands the organization's responsiveness to the need of society and bring about improving long haul performance (Gregory & Simms 1999). Corporate governance is a mechanism that is employed to reduce the agency cost that arises because of the conflict of interest that exists between managers and shareholders. The conflict emanates, almost naturally, because the separation of shareholding from control of the modern-day business places the managers at a privileged position that gives them the latitude to take decisions that could either converge with or entrench the value maximization objective of the firm.

Principles of Corporate Governance

Pandey (2005) opined that good corporate governance requires companies to adopt practices and policies which comprise performance, accountability, effective management control by the board of directors, constitution of board committee as part of professionally qualified, non-executive and independent directors on the board, the adequate timely disclosure of information and the prompt discharge of statutory duties. Chris (2006) defined key elements of good corporate governance principle as also including honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization. The ways and how directors as well as management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. Senior executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflict of interest and disclosure in financial report.

The Organization for Economic Cooperation and Development (OECD) (2004) put forward a set of international principles of corporate governance. These principles were developed both in response to growing recognition of the importance of governance to enterprise performance. The OECD (2004) principles are organized under five headings, namely: the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board.

Pillars of Corporate Governance

In all fields of human endeavour, good corporate governance is founded upon the attitudes and practices of the society. According to Kwakwa and Nzekwu (2003), these values centre on the accountability of power, based on the fundamental belief that power should be exercised to promote human well-being; democratic values, which relate to the sharing of power, representation, and participation; the sense of right and wrong. They depend also on efficient and effective use of resources; protection of human rights and freedoms, and the maintenance of law and order as well as security of life and property; recognition of the government as the only entity that can use force to maintain public order and national security; and attitude towards the generation and accumulation of wealth by hard work.

The above attributes have been reduced to six pillars on which governance is framed. These pillars are: Rule of law, Moral integrity, Transparency, Participation, Responsibility and accountability, and Effectiveness and efficiency.

Corporate Governance and Insurance Industries in Nigeria

The issue of corporate governance has led to the reforms in the insurance industry in Nigeria. This industry was recapitalized in 2006 as a fall back on several issues as regards to trust, sustainability and going concern of stakeholders in the industry. The National Insurance Commission (NAICOM) launched the codes of corporate governance for the insurance industry in Nigeria in 2009 (Tolu-Kusimo, 2017). This was part of its efforts to rebuild and sustain the fading confidence of stakeholders in the sector. Several issues led to the introduction of these codes, which include compliance with rules, laws, regulations and principles guiding insurance businesses; differentiation between board and management, leading to rise in board squabbles; ineffective Board oversight functions; fraudulent and self-serving practices among members of the Board, management and staff; overbearing influence of Chairman or MD/CEO, especially in family controlled business; weak internal controls; and conflict of interest among others.

Several issues were raised that concern corporate governance in the insurance industry. Many non-executive directors on the board of these insurance companies have been in their position for about two decades even though such companies are listed on the Nigerian Stock Exchange in violation of the codes of good corporate governance.

Review of corporate governance Codes and Regulation in Nigeria

The corporate governance involvement in Nigeria has been fiery (dynamic) and has inspired enthusiasm from inside and outside the nation (Ogbechie & Koufopoulos, 2010). In 2003, the Nigerian Securities and Exchange Commission (SEC) adopted a Code of Best Practices on corporate governance publicly quoted companies in Nigeria. This code has been subjected to regular review. A survey by the Securities and Exchange Commission (SEC) on Nigeria corporate economy showed that compliance with corporate governance practices was at a rudimentary stage in Nigeria as only 40% of the listed companies including banks, had recognized codes of corporate governance in place. This is unpleasant by the fact that most businesses in the formal sector are not publicly listed. In addition, enforcement appears to be weak or non-existent as corroborated by Wilson (2006) and Adelegan (2007).

Nigeria like most other jurisdictions has also developed its peculiar Code of Corporate governance, which unfortunately, is yet to be combined like the English Combined Code or the South African King's Code IV (Aina, 2013). Therefore, different codes are applicable to different sectors of the economy. The Code of corporate governance in Nigeria innately means and acknowledges the board is responsible for the organisation in a legal and adequate manner and must safeguard the organization by continually developing its values as much as possible (Adewuyi & Olowookere, 2013). The code states that the board should comprise both executive and non-executive members, with the Chairman as the overall supervisor. The provisions of the code of corporate governance further stipulate that the roles of the chairman and chief executive should be divided between different persons while a non-executive should be independent of the business and not subject to any interference to be able to make independent judgements concerning the organization (Adewuyi et. al., 2013).

Corporate Governance Mechanisms

Mechanisms of corporate governance relates to the tools, techniques and instruments through which accountability is ensured. They are the various media through which stakeholders monitor and shape behavior to align with set goals and objectives. Adekoya (2012) defined corporate governance mechanism as "the processes and systems by which a country's company laws and corporate governance codes are enforced". This study would consider some corporate governance mechanisms from the perspective of Board Composition, Board size, Board meetings, and Board diversity.

One of the fundamental goals of a corporation is to give stockholders equitable returns on investment. Pursuant to this goal, the stockholders delegate the direction of the corporation to the board of directors who may further delegate the management and control of the corporation to corporate managers who become the agents of the stockholders. These corporate managers must operate ethically by designing strategies and policies that are in the best interest of the stockholders to maximize stockholders' wealth.

Except on rare occasions, stockholders are not expected to perform management functions. Section 63(3) of the CAMA vests management power in the board except as otherwise provided by the articles of association of the company. But to that general rule, there are exceptions; and the General meeting of members may exercise powers by default in the following situations:
If the members of the Board are disqualified or unable to act because of deadlock on the board. To institute legal proceedings in the name and on behalf of the company or ratify or confirm any action taken by the Board if the Board neglects to do so; or by making recommendations to the Board regarding an action to be taken by the Board. (CAMA, Section 63(5) Companies and Allied Matter Act 2004).
Corporate governance faces the challenge or task of management. Managers, who are motivated by desires for status, power, job security, income and the like, may use their position to invest corporate funds in various perks that enhance their status rather than investing these funds in ways that increase stockholders' wealth. Other managers, to satisfy their desire for status, security, power and income might expand the corporation through diversification. Such growth may do little to enhance company's profitability and stockholder wealth. In such cases, the motive for the growth is to build an empire for control to enhance their status and consider power.

In modern management, a number of corporate governance mechanisms are put in place in empowering stockholders to remove incompetent or ineffective managers. These mechanisms act as checks and balances for corporate directors and managers to behave ethically. Corporate governance mechanisms include stockholders meeting, effective board of directors, stock-based compensation scheme, and takeover, board composition, board committee, board diversity. The following are the independent variables to be considered in this work:

Firms Financial Performance

Researchers have shown interest in the financial performance of firms which is used to assess the achievement of its economic goals (Peters & Bagshaw, 2014). Firm financial performance identifies with the various emotional proportions of how a firm can utilize its given resources well from essential method of activity to create benefit. Most importantly, all firms across the globe measure performance to ensure efficiency and effectiveness in operations and to determine whether a firm is achieving its goals or not. Also, performance measures can be used to support continuous improvement by harnessing all efforts to areas where managers want a certain level of performance (Masa'deh, Tayeh, Al-Jarrah & Tarhini, 2015). The firm's success is fundamentally clarified by its exhibition over a specific time frame. Analysts have stretched out endeavors to decide measures for the idea of performance as a pivotal thought (Al-Matari, Al-Swidi & BtFadzil, 2014). Finding an estimation for the performance of the firm empowers the similarity of exhibitions over several periods of time. Invariably, a firm's performance speaks volume of its value which according to Peters and Bagshaw (2014) is the "present value of the expected future cash flows after adjusting for risks at an appropriate rate of return". Financial ratios have been a significant tool in explaining the new firm behave where profitability has been most appropriate measure. Profitability is an index for assessing business efficiency (Akinlo & Asaolu, 2012) and profitability ratios measure how effectively a firm's management is generating profits on sales, total assets, and most importantly, stockholders' investment. For the purpose of this study, two important profitability measures of firms' performance: Return on Equity (ROE) and Return on Assets (ROA) will be examined.

Return on Equity (ROE)

Return on equity for value identifies with the return made by a firm for its investors with the finance made accessible to the firm by the investors. At the end of the day, it demonstrates the management's prosperity or disappointment at maximizing the return to investors dependent on their interest in the firm (Alexander & Nobes, 2001). It measures the productivity of investors' venture and demonstrates the net gain as a level of investors' value. It is determined as:

$$\mathrm{ROE} = \frac{\text{Net Profit before Interest and Tax}}{\text{Shareholders}'\text{Fund}} \times 100$$

However, ROE is at the peak of the proportion pyramid and is highly rated in research (Duffy, 1995 as cited in Masa'deh, Tayeh, Al-Jarrah & Tarhini, 2015).

Return on Assets (ROA)

This is a standout amongst the most broadly utilized accounting-based proportions of corporate governance in literature (Peters & Bagshaw, 2014). It weighs the viability of capital utilized and gives a premise wherein investors can gauge the income generated by the firm from its interest in capital resource (Epps & Cereola, 2008). This proportion estimates the return by utilizing advantages for produce pay. Analysts use ROA to evaluate a company's working performance in respect to speculations made without thinking about whether the firm utilized obligation or value cash-flow to fund the investments (Masa'deh, Tayeh, Al-Jarrah & Tarhini, 2015). The ratio measures the relationship between the amount of earnings before interest and tax, and the total assets number expressed as a percentage. It is measured using the formula below:

$$\mathrm{ROA} = \frac{\text{Earnings before Interest and Tax}}{\text{Total Assets}}$$

In fact, ROA shows the level at which the productive firm's total assets are yielding profit (Stickney et al., 2007).

Tobin's Q

This is another significant proportion of firm performance which contemplates the proportion of the market value of a company's assets (as estimated by the market estimation of its extraordinary stock and obligation) to the substitution cost of the company's assets (Lang & Litzenberger, 1989). It however, helps in avoiding the problem of estimating either rate of return or marginal cost. Moreover, for it to be meaningful, there is need to measure accurately the market worth and substitution cost of a firm's assets and where the substitution cost of firm's assets is not promptly accessible, the book value of firm's assets can still be used. The variable is measured as follows:

$$\mathrm{TOBIN'S\ Q} = \frac{\text{Market value of firm's equity and debt}}{\text{Book value of assets}}$$

METHODOLOGY

The study made use of both descriptive and quantitative methods of analysis. The descriptive method was employed in order to provide as much as possible, accurate information about the companies under consideration. On the other hand, the quantitative method was used in ascertaining the relationship that exists between the variables and this was extended to determining the type of relationship between them because all the variables are measureable.

Population of the Study

The population of the study consists of forty (40) listed Insurance companies on the Nigerian Stock Exchange (NSE) as at December, 2018 with a time frame from 2006-2017 that makes it to be twelve (12) years. The choice of this period was informed by the fact that the reform by National Insurance Commission (NAICOM) occurred in 2009 and it is important to incorporate all the listed insurance companies in the industry into the study in which some were listed before and after this reform. (Pre and Post NAICOM Governance Code)

Sample Size and Sampling Techniques

The yearly reports of these listed insurance companies were adopted to ensure the robustness of the study. The study made use of only twenty-eight (28) listed insurance companies purposively selected, having desired completed data on the Nigerian Stock Exchange as at the period in question (December, 2018), out of the forty (40) listed insurance companies in the population. The purposive sampling technique was employed for this study.

Table 3.1: Listed Insurance Companies on the Nigerian Stock Exchange (NSE) as of January, 2018 for the purpose of this study

S/N	Names	Date of Incorporation	Date Listed
1.	African Alliance Insurance Comp. Plc	06/05/1960	17/09/2009
2.	AIICO Insurance Plc	14/07/1970	03/12/1990
3.	Axamansard Insurance Plc	23/06/1989	19/11/2009
4.	Consolidated Hallmark Insurance Plc	02/08/1991	22/02/2008
5.	Continental Reinsurance Plc	24/07/1985	27/03/2000
6.	Cornerstone Insurance Comp. Plc	26/07/1991	13/08/1997
7.	Custodian and Allied Insurance Plc	13/08/1997	12/06/2007
8.	Equity Assurance Plc	13/12/1984	18/07/2007
9.	Goldlink Insurance Plc	08/09/1993	12/02/2008
10.	Great Nigerian Insurance Plc	28/02/1960	11/10/2005
11.	Guinea Insurance Plc	03/12/1958	01/01/1990
12.	International Energy Insurance Comp Plc	26/03/1969	13/07/2007
13.	Royal Exchange Plc (ROYALEX)	14/07/1989	03/12/1990
14.	Lasaco Assurance Plc	20/12/1979	14/06/1991
15.	Law Union and Rock Insurance Plc	17/06/1969	09/07/1990
16.	Linkage Assurance Plc	26/03/1991	18/11/2003
17.	Mutual Benefits Assurance Plc	18/04/1995	03/06/2002
18.	N. E. M Insurance Comp (NIG) Plc	02/04/1970	05/09/1990
19.	Niger Insurance Plc	29/08/1962	01/09/1993
20.	Prestige Assurance Comp Plc	06/01/1970	03/12/1990
21.	Regency Alliance Insurance Comp Plc	16/06/1993	27/05/2008
22.	Sovereign Trust Insurance Plc	28/01/1995	26/11/2006
23.	Standard Alliance Insurance Plc	28/07/1981	19/12/2003
24.	Standard Trust Assurance Plc (STACO)	10/07/1991	25/06/2007
25.	Unic Insurance Plc	02/04/1965	27/02/1990
26.	Unity Kapital Assurance Plc	08/08/1973	17/12/2009
27.	Universal Insurance Comp Plc	02/04/1965	11/02/2008
28.	Wapic Insurance Plc	14/03/1958	18/09/1990

Source: NSE Database (December, 2018)

Sources and Method of Data Collection

This study made use of secondary data. The data covering the period of 2006–2017 were collected from the audited annual financial statements of the companies. Most of the information required are part of the regulatory disclosure. Therefore, it was assumed that all listed companies have necessary information disclosed in their public financial statement.

Model Specification

The researcher adopted the models of (Julizaerma & Sori, 2012) as well as (Garba & Abubakar, 2014) with modifications to reflect and suit the variables of this study.

The model for the study is specified thus:

Model one (for Objective three)

$$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BM_{it} + \beta_3 BC_{it} + \beta_4 BD_{it} + \beta_5 FA_{it} + \beta_6 FS_{it} + \varepsilon \ldots\ldots\ldots..(1)$$

$$ROA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BM_{it} + \beta_3 BC_{it} + \beta_4 BD_{it} + \beta_5 FA_{it} + \beta_6 FS_{it} + \varepsilon \ldots\ldots\ldots..(2)$$

Model two (for Objective four)

$$Tobin's\ Q_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BM_{it} + \beta_3 BC_{it} + \beta_4 BD_{it} + \beta_5 FA_{it} + \beta_6 FS_{it} + \varepsilon \ldots..(3)$$

Where

'i' stands for each insurance company: i=1,2,3…………………28 and

't' stands for time period

BC= Board Composition

BM = Board Meetings

BS =Board Size

BD =Board Diversity

FA = Firm Age

FS = Firm Size

RESULTS AND DISCUSSION

Descriptive Statistics

The descriptive statistics results vis-à-vis independent variables that is, board size, board meeting, board diversity and board composition, dependent variables such as Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q (TQ), and the control variables (firm size and firm age were presented in Table 4.1. The descriptive statistics includes the mean, median, mode, standard deviation, minimum, maximum and the total number of observations based on the information published in the financial statements of the sampled companies for the period under consideration.

From Table 4.1, the mean figure for the board size was 9.417 with a standard deviation of 1.165 which implies that on the average, listed insurance companies have about 9 members serving on the board of directors. The standard deviation of 1.165 shows that the variation in the size of the board across the sampled companies is minimal. In addition, the minimum value of 7 indicates that no listed insurance company in Nigeria had less than five directors (the minimum number recommended by the code of corporate governance) on their boards. The result supported that of Brown and Caylor (2004) who documented that a board size of between 6 and 15 attracts higher returns on equity, better profit margins than firms with other sizes.

For board meeting, the mean value of 6.67 was obtained which ranges between 3 and 8. The minimum value of 3 indicates that some companies board members met in less than four times as required by the code of corporate governance. However, the mode figure of 4.00 obtained for this variable implies that majority of the companies satisfied the statutory requirement and that only few companies contravened the provision of the code of corporate governance. The result suggested that frequent meetings of banks board is a sign of response to poor performance, thereby meeting often is to design, monitor and advise management. Contrary to the above, Vafeas (1999) declared that a board can recover from poor performance faster if the board meets regularly, thus demonstrating a positive association between frequency of board meetings and firm's performance. Also, Kula and Tatoglu (2006) confirm a positive relationship between frequency of meeting and firm's performance.

Similarly, the descriptive statistics for another independent variable, board composition produced a mean figure of 3.833 and standard deviation of 0.718 implying little or no variation in the composition of the board across different companies in the listed insurance companies in Nigeria. The board diversity has the smallest mean of 0.333 with a mode and median value of 0.00 and 0.00 respectively. The result revealed that larger percentage of the listed insurance companies in Nigeria do not have presence of female directors on their board. Board diversity also provides board heterogeneity and effective monitoring that will support boardroom's discussion and enhance quality of governance in the firms.

Furthermore, it is noted from the result of the descriptive statistics that the oldest listed insurance company has been in existence for the past 55 years while the youngest is not less than 21 years in operation. A wider variation was noticed in the age of the listed insurance companies as revealed by the standard deviation of 3.606, but the result is understandable because these companies were established and listed at various points in time (see Table 3.1- Insurance companies listed as at January 2018 on the Nigerian Stock Exchange (NSE).

Again, a mean figure of 1.123 was obtained for the firm size which suggests that an average listed insurance company has been capitalized to the tune of about 1.1 billion naira being on the Nigerian Stock Exchange market during the period covered.

Firm size factors are widely acknowledged as driving the performance of the firms. The effect is assumed to be of two folds. In the first instance, large firms may be able to access funds easily. Secondly, large companies may be able to create entry barriers (Mangena & Tauringana, 2006).

For the dependent variables which are return on equity (ROE), return on assets (ROA) and Tobin's Q), the descriptive statistics results were also presented in Table 4.1. In this result, the mean figure for the Return on Equity (ROE) was 0.163 while the minimum and the maximum figures were -0.069 and 1.176 respectively. The minimum figure of -0.069 suggests that some companies had negative Return on Equity (ROE) which is a sign of bad performance. The result also reveals an inadequate use of company's equity on the part of people running some insurance companies listed on Nigerian Stock Exchange (NSE).

For the return on assets, the results range from 0.018 to 0.132 with a mean of 0.038 and standard deviation of 0.119. The standard deviation of 0.119 indicates a wider dispersion of the data across different companies in the listed insurance sector of the economy. Analysts use return on assets (ROA) to access a firm's operating performance relative to investment made without considering whether the firm used debt or equity capital to finance the investment.

Table 4.1 Summary Statistics for all the Variables

Variables	Mean	Median	Mode	Std. Dev	Min	Max	No of Obs.
Board Size	9.417	9.50	9.00	1.165	7.00	15.0	336
Board Meeting	6.67	7.00	4.00	1.233	3.00	8.00	336
Board Composition	3.833	4.00	4.00	0.718	3.00	5.00	336

Board Diversity	0.333	0.00	0.00	0.492	0.00	1.00	336
Firm Age	41.5	43.5	42.0	3.606	21.0	55.0	336
Firm Size	1.123	0.825	1.00	0.841	0.50	5.43	336
Return on equity (ROE)	0.163	0.080	0.093	0.032	-0.069	1.176	336
Return on Assets	0.038	0.037	0.012	0.119	0.018	0.132	336

Source: Author's variable compilation from annual report of insurance companies listed, January (2018).

Inferential Statistics

In this section, multiple linear regression was conducted to determine the effect of corporate governance variables (board size (BS), board meeting (BM), board composition (BC) and board diversity (BD)) and control variables (firm size and firm age) on financial performance indicators (Return on Equity (ROE) and return on assets (ROA). For the first model where Return on Equity (ROE) was used as dependent variable, the coefficient of determination R-Square was 0.579, suggesting that the entire corporate governance variables used in this study accounted for about 58% of the variation in the financial performance of the listed insurance companies in Nigeria while the remaining 42% can be attributed to the other variables not captured in this study. It was reported in Okhalumeh, Ohiokha & Egberi (2010) that there was no significant relationship between board composition and any of the performance measures (ROCE, ROE, EPS, DPS and ROAM).

The overall probability from the analysis of variance results was 0.000 indicating a positive and significant relationship at 5% level of significance and thus necessitating the acceptance of an alternative hypothesis that corporate governance has significant effect on the financial performance of the listed insurance companies in Nigeria.

Furthermore, the results of the beta coefficients revealed that among the four corporate governance variables, three have significant effect on the financial performance. Out of these three variables, board meeting has the highest influence on financial performance. The highest influence of board meeting on financial performance emphasizes the importance of board meeting on the success of a listed company. The possible explanation for this is that in a company where board members meet regularly, the provision of oversight function is strong leading to better efficiency of the management. The influence of board composition on Return on Equity (ROE) was also substantial which means if the listed insurance companies follow the guidelines in the code of corporate governance in the selection of board members, there is tendency of better financial performance for this sector of the economy.

The coefficient for board size was -0.485 with a p value of 0.000. The result implies that an inverse relationship exists between the board size and Return on Equity (ROE) and that a unit change in the size of the board may result in about 49% reduction in financial performance. The results disagree with that of Oyerogba et al. (2016) where a positive significant relationship was found between the board size and profitability of the listed companies in Nigeria. Board gender diversity has an insignificant effect on Return on Equity (ROE) which implies that this aspect of corporate governance does not have direct influence on financial performance of the listed insurance companies in Nigeria.

As for the control variables, the two variables (firm size and firm age) both have significant influence on Return on Equity (ROE) but in different directions. Firm age has negative influence on return on equity (ROE), suggesting that the older the company the poorly performed they become. The results support the findings of Oyerogba (2018) who also reported negative relationship between firm age and financial performance while arguing in favour of the product life cycle in which a firm product is estimated to reach a decline stage at certain age of the company. The firm size on the other hand exhibited a positive influence on the return on equity (ROE), suggesting that bigger firms tend to have better performance than their smaller counterpart.

Similarly, the results for the regression analysis for corporate governance and return on assets is not completely different from those of Return on Equity (ROE) except that board composition and firm size do not have significant influence on return on assets. Board size still maintained the negative relationship while a significant positive relationship was still found between the board meeting and return on assets. This was supported by Van Ees, Van der & Postma (2008). It was also reported that there exists a negative relationship between board size and firm performance in Netherland. Dar, Rehman & Nilazil (2011) found that frequencies of board meeting have positive relationship with performance Ward (1991), Yasser (2011).

Table 4.3 Regression Results for Corporate Governance and Return on Equity (ROE)

	R			R^2
	0.761			0.579
SS	DF	MS	Sig.	
Regression	1238.322	6 206.387	0.000	
Residual	2841.460	330	8.611	
Total	4079.782	336		
	Beta	Std. Err.	T	Sig.
Board Size	-0.485	0.211	-2.298	.000
Board Meeting	0.274	0.089	3.079	.000
Board Composition	0.513	0.215	2.386	.007
Board Diversity	0.269	0.328	0.821	.092
Firm Age	-0.832	0.216	-3.852	.000
Firm Size	2.232	1.027	2.173	.000
Constant	1.226	0.974	1.259	.155

Table 4.3 Regression Results for Corporate Governance and Return on Assets

	R			R^2
	0.655			0.431
SS	DF	MS	Sig.	
Regression	1578.561	6 263.094	0.000	
Residual	2501.221	330	7.579	
Total	4079.782	336		
	Beta	Std. Err.	T	Sig.
Board Size	-0.298	0.113	-2.637	.032
Board Meeting	0.155	0.064	2.422	.000
Board Composition	0.089	0.099	0.902	.367
Board Diversity	0.691	0.296	2.335	.000
Firm Age	0.314	0.119	2.639	.000
Firm Size	0.135	0.018	7.510	.358
Constant	-3.843	0.301	-12.751	.000

Source: Author's computation (2019), underlying data from annual reports of listed insurance companies.

CONCLUSION

This study examined the relationship between corporate governance and financial performance of listed insurance companies in Nigeria. The study concluded that among the four corporate governance variables, three have significant effect on the financial performance. Out of these three variables board meetings had the highest influence on financial performance; and this finding supports the results of the studies carried out by Nikos et al. (1999), Raniz and Inayat (2015) and Ward et. al. (1991). The study also concluded that corporate governance has significant influence on the financial performance of listed insurance companies in Nigeria.

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