Effect of Corporate Governance Mechanisms on Financial Performance of Listed Insurance Companies in Nigeria

Haruna Afor Roselyn¹, Ame Jacob², Oyedokun Godwin Emmanuel³ and Jaji Kehinde Abdulkareem⁴
¹,²Faculty of Administration, Nasarawa State University, Keffi
³Faculty of Business and Economics, Somali National University
⁴godwinoye@yahoo.com, ⁴kennyjahgee@gmail.com

Abstract
This study is to examines the effect of corporate governance mechanisms on financial performance of listed Insurance companies in Nigeria. The population of the study was 45 listed Insurance companies in Nigeria Stock Exchange (NSE) as at 31st December, 2018. The study adopted ex post facto research design with panel data using Stata as the software and multiple regressions as tools for the analysis. It was found that there is presence of board independence in the insurance companies in Nigeria but failure to maintain good corporate governance mechanism can be a threat and can lead to declining in board independence. On the other hand, board size is on the increase in Nigeria insurance companies and board with sizeable number of female members perform better than board with little or no female board members. Based on these findings it was concluded that there is significant effect between corporate governance and financial performance of listed insurance companies in Nigeria. It was recommended that board independence should continue to be maintained in all insurance companies in Nigeria. Effort should be made to ensure that corporate governance practices is of high standard and conform to the global best practice, adherence to the ethics and codes of corporate governance in building shareholders and other stakeholder’s confidence so as to encourage positive investment flows into insurance market.

Keywords: Accountability; Board independence; Corporate governance; Financial performance; Insurance.

Introduction
Corporate governance has become a concern in developing economies since the financial crises in the past, which have resulted in demands for improved corporate governance practices. Good corporate governance has become essential for improving firm performance, ensuring investor rights, enhancing the investment atmosphere and encouraging economic development (Braga-Alves & Shastri, 2011; Price, Roman & Rountree, 2010). Although attention has been given to corporate governance in developing countries, many of these countries still suffer from a lack of appropriate governance (Ekanaakey, Perera & Perera, 2010). This is seen as a contributing factor to financial crises (Tarraf, 2011). Therefore, corporate governance in both developed and developing countries has attracted considerable attention in academic research (Mallin, 2004; Reed, 2002; Clark, 2004; Solomon & Solomon, 2004; Sternberg, 2004; Weir & Laing, 2001).

The study is motivated by the latest surrounding the reforms engendered by the corporate governance code in the Nigerian insurance companies in response to corporate failure, global best practice and their expected impact on financial performance. The corporate governance structure specifies the rights and responsibilities among the participants in the firm and also spelling out the rules and procedures for decision making. Wolfenson (1999) Uche (2004) & Akinsulire (2006) agreed that corporate governance provides the structures through which the company’s objectives are set and strategies, the tactics and the means of attaining those objectives and monitoring performance is defined.

The main corporate governance theories upon which this study is based are the agency and stakeholder theories. The conceptual framework of the study is designed to address the relationships between governance practices and the performance of listed insurance companies in Nigeria. The hypotheses formulated in this study are based on the relationships between corporate governance and the firm performance of listed insurance companies.

Therefore, what has not been clearly resolved in the existing literatures are the specific corporate governance mechanisms that are relevant to provide improvement in the Insurance industry in Nigeria, and in other to fill this gap the study will assess the effect of board independence, board size, gender diversity, ownership concentration, management shareholdings, audit committee independence and leadership structure on the financial performance of listed Insurance companies in Nigeria. Also, all the empirical researches reviewed in this study, none covered the period from 2015 to date. This study would provide up to date evidence on the effect of corporate governance
mechanisms on the financial performance of insurance companies in Nigeria. The scope of this study covers the period from 2007 to 2016 which differentiate it from the previous empirical studies, providing period gap to this study to cover.

Again, most of the studies reviewed in this study concentrated on board’s independence, board size, ownership concentration, management shareholdings, audit committee independence as proxies of corporate governance and performance measured by return on equity (ROE) or return on assets (ROA), without considering gender diversity as proxies of corporate governance and Tobin’s Q ratio as measure of performance in the relation. These create variable inclusion gap for this study to fill. These therefore necessitate a study of this nature to fill all the obvious gaps raised.

**Literature Review**

There is no generally accepted definition of corporate governance (CG) which enjoys consensus of opinion in all settings and countries of the world. The concept is thus defined and understood differently in different parts of the world, depending on the relative power of owners, managers and providers of capital (Hameed, 2009). In other words, a number of scholars have viewed corporate governance (CG) differently from their perspectives (Cai, Keasey & Short, 2006).

For instance, Maher & Anderson (2003); Craig (2005) view corporate governance from two contrasting angles: the shareholder and the stakeholder model. Corporate governance in its narrowest sense (shareholder’s model) is used to describe the formal system of stewardship of the board to the shareholders. In contrast, in its widest sense (stakeholder model) corporate governance is used to describe the network of relationships between an organization and its various stakeholders. Corporate governance is seen as the process and structure used to direct and manage business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder long term value while taking into account the interest of other stakeholders (CAMA, 2002).

Solomon (2010) opined that, according to the agency theory, the purpose of corporate governance is to reduce potential conflicts between managers and the interests of the shareholders (Jensen & Meckling, 1976). The stakeholder theory also plays an essential role in explaining governance structures because companies are made aware of all stakeholders rather than only the shareholders (Freeman, 1984). Donaldson & Preston (1995) have argued that the stakeholder theory can help to maximize firm performance and the combined benefits of all stakeholders by considering the interests of all stakeholders.

Insurance is a contractual obligation between two parties, insured (buyer) and insurer (seller), whereby the insurer undertakes to indemnify the insured in the event of insured loss(es) in exchange for payment of premium, subject to the contract terms and conditions (Thoyts, 2010). Insurance plays a vital role and enhances growth of insurance activity, giving the process of financial integration and liberation (Kugler & Ofoghi, 2005). Meanwhile, executives’ risk-taking behaviour has triggered the interest of investors and policymakers in corporate governance practices in the insurance industry (Baranoff & Sagar, 2009). Good corporate governance by organization, including insurance firms, culminates to higher firm’s market value, lower cost of funds and higher profitability (Black, 2006; Claessens, 2006). Moreover, recent study on insurance sector development and economic growth in Nigeria reveals that insurance sector growth and development positively and significantly affects economic growth (Oke, 2012). Corporate governance is highly relevant in managing firms in the current global and dynamic environment. Hence, there is greater need for accountability due to the emergence of globalization, which de-emphasizes lesser governmental control.

The independent directors can also play the role of a referee and implement the principle of corporate governance that protects the rights of shareholders (Bhagat & Jeffers 2012; Tomasic, Pentony & Bottomley, 2003). Similarly, internal directors are also important in safeguarding the interest of shareholders. They provide the shareholders with important financial information, which will decrease the information asymmetry between management and shareholders as argued by Bhagat & Black (1999) and (Bhagat & Jeffers 2012). Board independence has been suggested to help reduce the agency problem (Weisbach, 1988). Most previous studies find better performance for firms with boards of directors dominated by outsiders (Pfeffer & Salancik 1978; Ogus, 1998; Pearce & Zahra 1992; Vafeas, 1999).

Board size plays an important role in affecting the value of a firm. The role of a board of directors is to discipline the Chief Executive Officer and management of a firm so that the value of a firm can be improved. A larger board has a diverse expertise to make better decisions for the firm as the Chief Executive Officer cannot dominate a bigger
board because the collective strength of its members is higher than and can resist the irrational decisions of a single CEO (Pfeffer, 1972) and (Zahra & Pearce, 1989).

Large board affect the value of a firm in a negative fashion as there is an agency cost among the members of a bigger board. Similarly, small boards are more prone to making efficient and effective decisions because there is less agency cost among the board members as highlighted by (Yermack, 1996).

Gender diversity can broadly be defined as the proportion of women to the members of boards of directors with regards to characteristics such as kinds of expertise, managerial background, personality, learning style, age, education and values (Swartz & Firer, 2005). Gender advocates suggest that to make managers and board members act ethically and efficiently there should be a support for gender diversity of the boards of directors (Field & Keys, 2003). It has equally been suggested that the more women board members, the more there is significant positive relationship between gender diversity and firm’s financial performance (Williams, 2000; Adams & Ferreira, 2004; Farrell & Hersh, 2005; Nishill, 2007).

Review of Empirical

Oyedokun and Haruna (2018) examines corporate governance mechanisms and financial performance of listed foods and beverages companies in Nigeria. The population of the study consists of twenty-one (21) listed foods and beverages companies as at 31st December 2017. The study employed multiple regression as a tool for data analysis with the aid of Statistical Product and Service Solution (SPSS). The finding from the study revealed that board composition and board size significantly and positively affect profit margin. The study recommends among others that the management of listed foods and beverages companies in Nigeria can improve performance by ensuring that the composition of audit committees are adequately instituted and maintain the right number of non-executive directors in the audit committee to facilitate the auditor’s responsibility of preventing error and fraud. The study is on corporate governance and financial performance of food and beverages companies not on insurance company, performance was measured with profit margin and the tools for data analysis used was SPSS which create a gap in the present study because performance were measured using Tobin Q ration with Stata as a software for data analysis.

Nibedita, (2017) examines the impact of corporate governance on the performance of insurance companies. The population of the study was defined as listed insurance companies in DSE. The sample comprises of 10 listed insurance companies. Various tests like-Descriptive analysis, multiple linear regression, Pearson correlation and collinearity statistics were performed using IBM SPSS statistics software. Mainly secondary sources of data were used for the period of 2010 to 2016. The study finds that the corporate governance has an impact on the performance of the insurance sector in Bangladesh. The independent variables of corporate governance (board size, board composition, board meetings and board audit committee) determine 38.20 percent of the performance (ROE) variance. Using Pearson correlation, the results provide evidence of a positive relationship between board sizes and ROE as well as board meetings. The result further reveals that a negative relationship between ROE and board composition. However, the study could not provide any association between performances of the insurance (ROE) and board audit committee. The study is on corporate governance and financial performance of insurance companies in Bangladesh not insurance company in Nigeria, performance was measured with return on asset and the tools for data analysis used was SPSS which create a gap in the present study because performance were measured using Tobin Q ration with stata as a software for data analysis and this study focused insurance companies in Nigeria.

As further observed, most prior studies on corporate governance and performance made use of the market-based performance measure and not accounting performance measures. In order to cover the lapses in prior studies, this study will build on the studies by Oyedokun & Roselyn (2018); Nibedita (2017); Ibe, Ugwanyi and Okany (2017).

Theoretical Framework

Stewardship theory has its roots from psychology and sociology. The theory is based on the assumption that the interest of shareholders and the interest of management are aligned; hence management is motivated to take decisions that would maximize firm’s performance and total value. The theory advocates that there is greater utility in cooperative than individualistic behaviour (Donaldson & Davis, 1991); in that, managers maximize their utility functions, while maximizing shareholders’ wealth (Davies, 1997). To achieve these, shareholders must authorize the appropriate empowering governance structure, mechanisms, authority and information to facilitate the management autonomy, built on trust, to take decisions that would minimize their liability while achieving firm’s objectives.
Thus, stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns.

Stewardship theory laid emphasis on the roles of management and expected it to see themselves as part of the firm with a view to maximize the financial performances. Both agency and stewardship theories discussed the relationship between the shareholders and management, while agency theory distinguished ownership from control, stewardship theory is on the functions of management in the interest of shareholders. Stewardship theory did not give regards to other stakeholders but only place emphasis on the primary roles of management in the interest of the shareholders.

**Methodology**

This study adopted *Ex post facto* research design. The population for this study consists of 45 listed insurance companies in Nigerian Stock Exchange as at 31st December, 2018. The time frame for this study is between 2008 and 2018. This is a ten-year period enough to satisfy all the needful for the research. Non-probability sampling method in form of availability sampling technique was used in selecting the listed insurance firms only insurance company that meet the criteria of being listed on the Nigerian Stock Exchange since or before the year 2008 up to the period covering this study. The total listed insurance companies in Nigeria Stock Exchange are Forty-five (45) in number as at 31st December, 2018. Five (5) of these number did not meet the criteria of existence as at 2007, the base year chosen for this study and therefore removed from the list of insurance firms being considered for the study. Furthermore, additional sixteen (16) insurance firms were found not to have submitted their financial statement to the Nigerian Stock Exchange for two to three (2 - 3) years out of ten (10) years period slated for the study while one insurance firm failed the criteria of ethical and regulation compliance. These Insurance firms were filtered out thus leaving only twenty – three (23) listed insurance firms considered as sample size for this study.

Therefore, sample size for this research was twenty-three (23) of the listed insurance companies that were selected. The reason for selecting these insurance companies is meeting the ten (10) years criteria, ethical and regulation compliance, and sign of improved financial reporting system. It was discovered at the end that these insurance firms were viable with adequate data and up to date information and internet facilities. The study used secondary data only, which was obtained from the financial statements of all the sampled firms of the study, within the period of ten years (2008 – 2018). The data in respect of the variables of the study were extracted and the respective ratios or percentages taken, from the sampled firms in order to test hypotheses of this study.

In order to test the hypotheses of this study, multiple panel regression analysis (fixed and random effect) was employed. This is because of the effectiveness and efficiency of the technique in estimating the statistical relationship/impact of one variable on another variable. The analyses of the relationship of corporate governance and financial performance of listed insurance companies in Nigeria, is conducted using STATA as the software for the analysis.

The explanatory variables used as proxies of corporate governance are boards independence, board size, audit committee independence, gender diversity, ownership concentration of shareholders, leadership structure and management shareholding. The choice of explanatory variable is based on the alternative theories related to corporate governance and corporate governance variables used in previous studies conducted.

**Model Specification and Justification for the models**

This study employed a multivariate version of the econometric model from the study done by Christelle (2017) with little modification. Therefore, the models designed for the study is given as:

\[
TQ_{it} = \alpha + \beta_1 BIND_{it} + \beta_2 BS_{it} + \beta_3 GD_{it} + \beta_4 OC_{it} + \beta_5 MSH_{it} + \beta_6 LS_{it} + \epsilon_{it} - (iii)
\]

Where:
- TQ = Tobin’s Q Ratio (Financial Performance)
- BIND = Board Independence
- BS = Board size
- GD = Gender diversity
- OC = Ownership Concentration
- MSH = Management Shareholding
- LS = Leadership Structure
- α = Intercept
- ε = stochastic error term.
- \(\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6\) are the parameters to be estimated.
The a priori is such that: $\beta_1$ BIND; $\beta_2$ BS; $\beta_3$ GD; $>0$. The implication of this is that a positive relationship or effect is expected between explanatory variables $\beta_1$ BIND; $\beta_2$ BS; $\beta_3$ GD; and the dependable variable. The size of the coefficient of correlation will assist to explain various levels of relationship or effects between variables. The study employs basically secondary data from the annual or financial reports of the Insurance companies listed in Nigerian Stock Exchange (NSE) the estimated period for the study is 2008 to 2018, a ten years’ period longer enough to make a reasonable judgment on the outcome of the model.

Data Presentation and Analysis

Descriptive Statistics

The descriptive statistics of the data collected for the study is presented and discussed in this section. The summary of the descriptive statistics of the data collected is presented in Table 4.1 as follows;

Table 1: Descriptive Statistics of the Variables

<table>
<thead>
<tr>
<th>VAR</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>TQ</td>
<td>10.45</td>
<td>18.18</td>
<td>14.56</td>
<td>1.783</td>
<td>-0.341</td>
<td>2.458</td>
</tr>
<tr>
<td>BIND</td>
<td>3.97</td>
<td>71</td>
<td>29.86</td>
<td>16.699</td>
<td>0.561</td>
<td>2.993</td>
</tr>
<tr>
<td>BS</td>
<td>18.02</td>
<td>21.99</td>
<td>20.09</td>
<td>0.986</td>
<td>-0.162</td>
<td>2.496</td>
</tr>
<tr>
<td>GD</td>
<td>-0.45</td>
<td>0.63</td>
<td>0.04</td>
<td>0.151</td>
<td>1.891</td>
<td>12.357</td>
</tr>
</tbody>
</table>

Source: Stata output (See Appendix for software analysis) N= 230

As indicated in Table 1, the value of the average value for Tobins Q (TQ), the mean value within the period of this study was 14.5606. Its maximum value is 18.1753 while the minimum value is 10.44616. The average value of the 14.5606 with standard deviation of 1.7833 signifies that the data deviate from both side of the mean value by 1.8 approximately. This implies that there is a no dispersion of the data from the mean, because of the value of standard deviation which is not closed to the mean. The kurtosis value of 2.458156 also suggests that majority of the data are higher than mean, as such the data did not meet the Gaussian distribution assumption. Similarly, the coefficient of Skewness -0.3412962 implies that the data is negatively skewed, and thus, the data did not meet the symmetrical distribution assumption.

For board independence (BIND), the mean within the period of this study was 29.862. Board independence in Nigeria insurance industry was at its maximum when the value was 71 while the least board independence was when the value was approximately 4. As revealed by the value of the skewness (0.56) of board independence indicating that the degree of departure from the mean of the distribution is positive, this revealing that overall there was a consistent increase in board independence over the period of the study. Likewise, as indicated by the value of the Kurtosis which was 2.99 was within the normal value indicates that the degree of peakedness within the period of this study were normally distributed as most of the values did not hover around the mean.

For Board size (BS), the mean within the period of this study was 20.09. Board size in Nigeria insurance industry was at its maximum when the value was 21.99 while the least Board size was in when the value was 18. As revealed by the value of the skewness (-0.162) of Board size indicating that the degree of departure from the mean of the distribution though negative reveals that in the overall there was inconsistent decrease in Board size over the period of the study. However, the value of the Kurtosis which was 2.496 which fell within the normal value indicates that the degree of peakedness within the period of this study were normally distributed as most of the values did not hover around the mean.
For gender diversity (GD), the mean within the period of this study was 0.0381522. Gender diversity in Nigeria insurance was at its maximum when the value was 63% while the least gender diversity was when the value was 45%. As revealed by the probability of the skewness (1.89) of gender diversity indicating that the degree of departure from the mean of the distribution was positive and that in the overall there was consistent increase in gender diversity over the period of the study. However, as indicated by the Kurtosis which was 12.36 which was above the normal value indicates that the degree of peakedness within the period of this study was not normally distributed as most of the values did not hover around the mean.

Following the presentation and interpretation of the descriptive statistics of the data collected for the variables of the study which to a large extent suggested that the data is not normally distributed, Shapiro wilk normality test was conducted. The results are presented in Table 4.2 as follows;

<table>
<thead>
<tr>
<th>VAR</th>
<th>W</th>
<th>V</th>
<th>Z</th>
<th>Prob&gt;Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>TQ</td>
<td>0.97060</td>
<td>4.956</td>
<td>3.709</td>
<td>0.00010</td>
</tr>
<tr>
<td>BIND</td>
<td>0.96352</td>
<td>6.149</td>
<td>4.208</td>
<td>0.00001</td>
</tr>
<tr>
<td>BS</td>
<td>0.98480</td>
<td>2.562</td>
<td>2.180</td>
<td>0.01462</td>
</tr>
<tr>
<td>GD</td>
<td>0.56907</td>
<td>72.637</td>
<td>9.930</td>
<td>0.00000</td>
</tr>
</tbody>
</table>

Source: Stata output (See Appendix for software analysis)

The variables of the study are subjected to Shapiro-Wilk (W) test for data normality; the technique test the null hypothesis (that the data is normal), that is, the variable came from a normally distributed population. From Table 2, the result indicates that, the null hypothesis (that, the data is normally distributed) is accepted here.

This may have effect on the results, as most of the parametric method of analysis including regression assumed that the data is normally distributed, even though Shao (2003) argues that normality distribution of data has no effect on the inferential statistics, and also Gaussian theory of normality distribution of data for inferential statistics which is in consistent with Shao (2003; 2005), the result of Shapiro wilk (W) test of normality indicate that the variable came from abnormally distributed population.

Correlation Results

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>TQ</th>
<th>BIND</th>
<th>BS</th>
<th>GD</th>
</tr>
</thead>
<tbody>
<tr>
<td>TQ</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIND</td>
<td>-0.5343 (0.0000)</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS</td>
<td>0.6460 (0.0000)</td>
<td>-0.3900 (0.0000)</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>GD</td>
<td>-0.6243 (0.0006)</td>
<td>-0.2223 (0.0000)</td>
<td>-0.1367 (0.0382)</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

P-Values in Parentheses
Source: Stata output (See Appendix for software analysis)

In this section, Table 3 presents the correlation results between predictor variables (BIND, BS, and GD) and the dependent variable (TQ) of the listed insurance firms in Nigeria. In the Table.3, the results show that there is a negative relationship between TQ and Gender diversity from the correlation coefficient of -0.6243, with p-value of 0.0006. This suggests that TQ of listed insurance firms in Nigeria increases with increase of their gender diversity, which is statistically significant at 1%.

Following the analysis of the correlation matrix between predictor variables and the Explained variable of the listed insurance firms in Nigeria, the study presents and discusses the regression results of the models of the study from which the hypotheses of the study are tested in the following section and the relevant inferences drawn about the relationship between predictor variables and the dependent variable of the study.
Hypotheses Testing

The classical assumption of regression model assumed that the error terms are normally distributed and independent (that is the error terms are uncorrelated); the predictor variables are not perfectly correlated (absence of multi-collinearity); the variance of the error terms is constant (Homoskedastic). When these assumptions have not been met, the estimators are biased and cannot be used in drawing any inference. However, the results proved absence of perfect multi-collinearity among the independent variables, because on average variance inflation factor (Mean VIF) is 1.56, see appendix. The rule of thumb for the Tolerance Value is that any value of 1.0 and above implies the presence of perfect multi-collinearity in the estimates, while for the Variance Inflation Factor a value of 10 and above is an indication of perfect multi-collinearity.

The evidence from Breuch Pagan/Cook-Weisberg coefficient of 11.84 with p-value of 0.0006 confirms the presence of the effects of heteroskedasticity, as shown in Hettest result that is, there is constant variance in the residuals. Thus, suggested Fixed and Random regression to solve this problem. In choosing the most appropriate between Fixed and Random effect regression for this study, usually two important tests are conducted; Hausman Specification Test and Breusch and Pagan Lagrangian Multiplier Test. The Hausman specification test for model 1 suggests that there is Fixed Effects in the model for the study as evidenced by the Chi² of 38.22 with p-value of 0.0000 therefore fixed effect regression result is interpreted for model 1.

Table 4. presents the summary regression of the model of the study from which the hypotheses are tested.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BIND</td>
<td>-0.0340507</td>
<td>0.0047104</td>
<td>-7.23</td>
<td>0.000</td>
</tr>
<tr>
<td>BS</td>
<td>0.9407928</td>
<td>0.0829003</td>
<td>11.35</td>
<td>0.000</td>
</tr>
<tr>
<td>GD</td>
<td>-3.501143</td>
<td>0.572713</td>
<td>-6.11</td>
<td>0.000</td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
<td></td>
<td>0.7230</td>
</tr>
<tr>
<td>Adj R²</td>
<td></td>
<td></td>
<td></td>
<td>0.7069</td>
</tr>
<tr>
<td>Wald stat</td>
<td></td>
<td></td>
<td></td>
<td>538.22</td>
</tr>
<tr>
<td>Prob</td>
<td></td>
<td></td>
<td></td>
<td>0.0000</td>
</tr>
<tr>
<td>Hausman</td>
<td></td>
<td></td>
<td></td>
<td>3.53 (0.8319)</td>
</tr>
</tbody>
</table>

Source: Stata output (2019)

Table 4. shows the result of the regression analysis of the effects of the corporate governance on the TQ as a measurement of performance of Nigerian insurance companies. The result reveals that the model is well fitted (Wald-statistic = 538.22, p-value = 0.000). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 72% of the variations observed in the dependent variable were explained by the independent variables. This was moderated by the Adjusted R-squared to 71%, indicating that there are other variables other than our explanatory variables that might also affect the dependent variable. The result shows that BIND has a negative and significant effect on the performance (TQ) of Nigerian insurance companies (BIND coefficient = -0.0340507, p value = 0.000, t-value = -7.03). The result shows that BS, has a positive and significant effect on performance (TQ) of Nigerian insurance companies (BS coefficient = 0.9407928, p value = 0.000, t-value = 11.35). Also, GD had a negative and significant effect on performance (TQ) of Nigerian insurance companies (GD coefficient = -3.501143, p value = 0.000, t-value = -6.11).

Discussion on Findings

In the methodology of this study TQ was used as proxies for financial performance. The analysis of the model using fixed and random effect regression in confirming the effect of board independence, board size and gender diversity on financial performance. The Inferential results on insurance companies revealed that board independence has positive effect on financial performance of Nigerian insurance companies as shown by model and negative effect on financial performance of Nigerian insurance companies. This is consistent with the recent studies carried out by Tukur & Bilikisu (2014) which revealed that there was significant relationship between corporate governance and firm performance.
Inferential results on board size also revealed positive relationship between board size and financial performance of Insurance companies in Nigeria using TQ as dependent variable. Inferential result further revealed that, gender diversity has negative effect on financial performance using TQ as the measurement.

The study is in accordance with the views of Najjar (2012), Tornyeva and Wereko (2012) as well as that of Tukur and Bilikisu (2014), stating that firm with good corporate governance mechanism act more efficiently in their activities which would increase financial performance of a firm. The finding adds to the current flow of relevant empirical literature, such as the relationship between the firms’ leadership structure and performance and particularly, the studies concerning how corporate governance affect the financial performance.

Conclusions

For insurance companies to thrive in Nigeria board independence is necessary and vital. Although there appeared to be element of board independence as revealed from the study. Failure in corporate governance can be a threat and can affect performance negatively. The board size was found to have great effect on financial performance of Insurance companies in Nigeria. Gender diversity also revealed the number of female members in the boards of Insurance companies in Nigeria. It was found that firms with sizable numbers of female board members perform better than board with little or no female board members. The result showed that female board directors are on the increase in the Insurance industry in Nigeria.

Based on the key findings of this research, the study concludes that:

The Board independence has negative effect on the financial performance of listed Insurance companies in Nigeria as shown in the model. Board size has positive effect on the financial performance of listed Insurance companies in Nigeria as revealed in model. Gender diversity also has positive effect on financial performance of listed Insurance companies in Nigeria as explained by model.

Overall the study concluded that there is significant effect of corporate governance on financial performance of listed insurance companies in Nigeria. Good corporate governance practices significantly affect firm’s performance in the Nigerian insurance company.

Recommendations

To ensure good corporate governance practices amongst insurance firms in Nigeria, the following recommendations were put forward. Board independence should be seen as sacrosanct and must be in existence to ensure that good corporate governance is in practice. This will build shareholders and other stakeholder’s confidence in the industry and thereby attract positive investment flows into the Insurance market. Board size, Gender diversity, and Leadership structure, all having positive effect on financial performance of listed insurance companies within the period of study should be constantly checked and monitored, to avoid negative impact on the financial performance of listed insurance companies in Nigeria. All Insurance companies in Nigeria should adhere strictly with the codes of good corporate governance and ensure that they collaborate with the various stakeholders in the industry to improve performance and growth of the insurance firms in Nigeria.

References


