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Corporate Governance and Financial Performance of Listed Insurance Companies in Nigeria

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Abstract

Generally, insurance company is a financial backbone; risk-carrier and restoration of losses to every risk-taker, but in Nigeria the financial performance of these companies has been jettisoned chiefly as payment of insurance claims has been a major problem in the industry due to ineffective corporate governance system to checkmate the business activities of the companies. The aim of this paper is therefore to provide empirical evidence on the nexus between corporate governance and financial performance of listed insurance firms in Nigeria. The paper adopted Ex-post facto panel data analysis, using secondary data sourced from annual reports of 16 selected listed insurance firms in Nigeria from 2012 to 2023. Random effect regression was adopted as method of analysis. This produced p-values of 0.8049 and 0.5728 for earnings per share (EPS) and price earnings ratio (PER) respectively. On the other hand, fixed effect was adopted for dividend per share (DPS) as the financial performance variables with a p-value (0.0160). The decision to accept random effect and fixed effect respectively was informed by the result of Hausman test. The result revealed that corporate governance mechanism has positive and significant relationship with Financial Performance of Nigerian Insurance Firms. This study concluded that a good corporate

Introduction

The issues that concern best practices of corporate governance and firms' performance are well discussed all over the World including all Central European nations that were mostly ranked in 2022 by Global Governance Index (GGI, 2022). Corporate governance has been argued to promote better performance, both financial and otherwise in any organization of repute (Andrea, Nicusor & Alexerndra,2017). The financial scandals in most major organizations like Enron, WorldCom and Cadbury among others has led to the discovery and importance of corporate governance to organizational survival and growth which enhanced the concept to dominate both corporate and academics discussion worldwide (Sanyaolu, Isiaka & Fadipe,2019). Corporate governance entails promoting corporate fairness, best practices, accountabilities and transparency of any corporate activities (Valeria,2019). According to Organization of Economic Co-operation and Development (OECD, 2005) corporate governance is aimed at creating mechanism that promote accurate management in a manner that ensures long term values of all stakeholders through managers' accountabilities and ultimate enhancement of organization performance in all form of financial activities.

The concept has become very germane in modern days as organisations grow well in both developed and emerging economics (David & Tobias,2015). The consequences of corporate failure due to bad governance are huge, usually witnessed in all aspect of the firms in form of investors' capital wipe-out, job losses overnight and mismanagement among others (Davis *et al*,2015). In another side, interest group such as host communities can disrupt the activities of an organization that fails to discharge its corporate social responsibility due to bad corporate governance, and this could affect the financial performance for the period (Olayiwola,2018).

According to Global Governance Efficiency index (GGI), Nigeria corporate governance practices is currently at 139th ranking in the word and 35th in Africa (Agent report,2017) and the governance practice ranked for Nigeria was anchored on the fact that the country regulatory and infrastructural framework does not properly promote an environment where natural, social and intellectual capital can flourish to generate new and sustainable growth (Global Index, 2022). To improve the business of the firms (insurance) in our country Nigeria, the National insurance commission (NAICOM) in September,2005 and 2007 introduced a reform, but in less than (10) ten years, the report of the reform became worthless and the performance of insurance companies was reported below average associated with lack of awareness, improper research and corporate governance problems. According to Fadun and Shoyemi (2018), Insurance companies contributed about 88% to the GDP in 2021 and this was even considered to be so low, no wonder the industry is at its 62nd position world ranking today.

In Nigeria, Insurance companies requires investors to put down funds to properly enhance provisions of various services to the insurers (Fadun *et al*,2018). Therefore, Investors think of investing in a corporation that practices good corporative governance structure which will possibly increase their financial values. Though, the National insurance commission report (2022), on the performance of insurance industry at the second quarter of the year was positive, as premium grows to 20.1% and a gross premium income of ₦369.2 billion and also the insurance industry penetration level at 3% and a contribution of ₦491 billion to Africa insurance premium value at 68billion dollar in 2022, despite this, the industry still missed in Africa top 20 (twenty). However, the National insurance commission (2022) still revealed some quality improvement in the market indicators like growth, claims settlement and profitability of 11.9% and total asset of about ₦2.3 trillion. If this will be adequately sustained and improved upon, then it requires good corporate governance systems. To place the industry on its track and among the first class insurance companies in the world requires a system that motivates investment, protect investors fund and improve profitability overtime, hence the reason for this study.

Statement of Research Problem

The inclusion of organisations like Pamalat Enron, Worldcom, Cadbury, and others in frauds has watered the investors' hope, and one needs to provide a lasting solution so that financial operational performance of firms in Nigeria, will not only be strengthen, but good structure of corporate governance shall be set in to prevent financial failures in all organisations including insurance companies (David *& et al*,2015). The inability of the Nigeria insurance companies to compete internationally and the absence of Nigeria Insurance companies in the first twenty (20) most variable insurance companies in Africa (2019) are major concerned and the need to research in this regard.

Several researches had been conducted to ascertain how corporate governance actually affect financial performance but the result has been mixed, inconclusive and the performance of insurance companies remain undaunted to improvement. However, to the best knowledge of this study, none of the literature reviewed examines the effect of corporate governance mechanism on financial and operational performance of insurance businesses in Nigeria, this created a gap and the need to research in that regard. For instance, Alabi and Ojo, (2023) argued that a negative correlation exists between board size in United Kingdom listed companies and financial performance while Kyere *et al*, (2019) found that there is mixed association between the proportion of corporate governance and financial performance in United Kingdom companies. Paunescu and Georgina (2015), in United State found that Board size has positive and significant relationship with financial performance in USA markets. This was supported by Ali *et al*, (2021) USA, Savitir and Andreas (2020) in Indonesia showed that, the findings were mixed and inconclusive.

While also reviewing literature, none to the best knowledge of the researcher combined Dividend Per Share (DPS), Earning Per Share (EPS) and Price Earnings Ratio (P/E) a financial ratio of performance indicators as a dependent variable measured by corporate governance mechanism in insurance industry in Nigeria, hence the basis for this study.

Again, some previous researcher used a combination of both primary and secondary data while others used time-series to research in most companies in Nigeria. However, this current study used secondary panel data for both dependent (response) and independent (Explanatory) variables to substantiate the result of previous efforts in Nigerian insurance companies, covering a wider period of 12 years for recent findings in lines or contrast to previous researchers.

Research Objectives

The general aim (objective) of this paper work is to provide empirical evidence of the concept (corporate governance) and the relationship with financial performance in Nigeria insurance firms. However, the following are specific objectives to be achieved:

i. To ascertain if Board Size, Board Composition, Audit Committee Size and Audit committee independence can jointly affect Earnings Per Share (EPS) of Nigeria insurance companies.

ii. To examine if Board Size, Board Composition, Audit Committee Size and Audit Committee independence can jointly affect Price Earnings Ratio (PER) of Nigeria insurance companies.
iii. To determine whether Board Size, Board Composition, Audit Committee size and Audit Committee Independence can jointly affect Dividend per share (DPS) of Nigeria insurance companies.

2.0 Literature Review

In this section, the paper discussed the conceptual, the theoretical and empirical review related to this study.

2.1 Corporate Governance Mechanism

2.1.1 Board Size

The board size (BS) means the representation of all the directors on board of any corporate entity (khalid,2020). According to Corporate Governance practice report by OECD (2005) it was recommended that the appropriate board size range from eight and twelve (8 to 12) for bigger listed companies, six to eight directors (6 to 8) for average listed firms and between four and six directors from company that is small and it is very important to determine appropriate size of board in an organization. The number of qualified director on board size promotes efficiency and increases corporate profitability (Joseph& Ahmed, 2017). The evaluation of impact of board size and financial metrics of performance was difficult; it has generated conflicting issue over the years. Alabi and Ojo, (2022) argued a negatively significance correlations exist for the variables of FTST hundred (100) listed companies in United Kingdom. In another study by Hong and Nguyen (2014) opined a positive correlation between both variables in Vietnam. However, some authors like Alabi *et al* (2022), Isaac, Samuel and Kennedy (2021) aligned with previous studies, and others like Andrea *et al* (2020) found a negative relationship. While most empirical funding has argued that board size is never in any way enhanced the financial performance of an organization, others concluded that board size has significant relationship. These findings further widened the gap from previous efforts, and the need for the study.

2.1.2 Board Composition

The Composition of board in most cases is the number of independents and non-executive directors and the board in the organisation compared with numbers of all director in the company (David *et al*,2013). While discussing composition of board, they must be people that responsible for protecting shareholders' fund. The composition of this experts (board) provide detail about them and their management background in the organisation (Joseph, 2017). According to Aggarwal (2018), he argued that board composition (BC) is the percentage (%) of directors outside the company to total and overall board size (BS). The percentage which that non-executive independently bears to overall diameter. The Nigeria code of corporate governance, Section 1 of the code 2011 state the board composition should be diverse with experience personality (Oyedele *et al*, 2019). No director should serve on board of any organization more than ten (10) years in different line of actions (roles). Sexual equality can also move creative and help entities prevent potential lawsuit and reputational damage (Aggarwal, 2013).

Wei, (2012) in his study in china found that, there exist no significant association of the proportion of independent company director on board and performance of company financially. The study of valeria (2019) also found out that large number of independent director led to loss of sustainability performance of firms. According to Afzal (2010) a study on board composition and firm performance in Bangladesh, Independent director does not in any way have significant effect on firm performance of an organization in Bangladesh this is also in-line with the finding of both Wei (2012) and Valeria (2019). Therefore, there is need to fill this gap in this current research.

2.1.3 Audit Committee Size

The Public company oversight board (2016) said that audit committee in an organization plays an important role by providing a protection frame work through their oversight functions. The audit committee serves as the eyes of the shareholders because their duties involve ensuring transparency and accountability in the financial reporting process (David *et al*, 2013). According to Friday, Umidjon and Bojan (2013) Audit committee effectiveness can only be achieved by allowing level of independent of the committee in terms of more independent outsider's directors on the committee. The audit committee has been transformed and also appeared to be a key element of the concept of this topic (the corporate governance) since oxley Act 2002 was passed. As explained by security and exchange commission in its final released on the standard relating to listed companies, the auditee committee should serve as checks and balances on a company financial reporting system (Friday *et al*, 2013).

There have been conflicting findings about the actual size of audit committee (AC) and firms' performance in term of financial operations in any organisation but the issue of appropriate numbers or size matters Adesanmi and Njogo(2014). Sanyaolu *et al*, (2019) opined that there exist positive but insignificant correlation between audit committee independent (ACI) with firm performance financially while empirical finding like Alabi *et al* (2022) also supported the finding to be positive and significant. However, Kyere and Ausloos (2019) find out that audit committee (AC) that is small will have significant effect on companies' performance financial and otherwise. Adesanmi and Njogo (2014) in their finding opined that audit committee that is having more of non-executive directors in the organisation will not only have positive relationship, but also a brilliant performance. Conversely, the finding of Ali (2018) and Savitir *et al* (2020), argued a negative and significant association exist with audit committee independence and firm's performance. Therefore, to establish relationship between audit committee independent and financial operational performance remain gap to be fill with appropriate hypothesis in this current study.

2.1.3 Independence of Audit Committee

When an organisation is in quest of its performance, the profitability is a determinant measure. It depicts the financial strength of organisations well-being and how efficiently an entity has put into use its assets (both tangible and intangible). Therefore, the services of auditor cannot be undermined in evaluating the company assets and liability and express Independent opinion on the state of financial position and their compliance with relevant laws (Isaac, Samuel, Kennedy& Collins,2021). The fall of giants companies such as Enron, WorldCom and several other technology companies due to accounting improprieties led to the passing of Sarbanes Oxley Act (2002). The aim of the Act was to allay the fear in vestors capital loss and promote corporate governance structures.

According to Andrea, Nicusor and Alexandria (2017) in a study of the nexus of international audit independence and companies' performance of large firm, it was found that an independence Audit has a positive influence on organization performance. The role of (external) auditors in lending independent credibility to financial statement before publication is so critical, and the information from such statement is use by investors (users) for investment decision making (Ali,2021). A good corporate governance system allows Auditors to independently provide information that is error free because users will definitely accept their professional opinion on the work they audit (Ican,2014). Most of the empirical findings like Ali (2021), Victor and Toria, (2022) said independence of auditors were positively and significantly related with financial performance. Therefore, there is need for further study.

2.2 Financial Performance

Financial performance shows how healthy the financial status of an organisation is, and profitability is a good determinant of performance, it depicts how well an entity has efficiently utilized it assets (Both tangible and intangible) from its primary mode to generate revenue (olayiwola,2018). In the study carried out by Matteo, Marco and Arturo (2015), It was found that profit is main target aim of every shareholder. The scholars argued that organisation guarantees payment obligations such as dividend, interest, salaries and other when profit is realised and a structured corporate governance promote a financial system business performance to meet up with this purpose. For this study, three (3) financial performance indicators have been selected as proxies for dependent variable to measure the performance of sixteen insurance firms in Nigeria and these has not been combined before. The three indicators are not only effective in measuring performance, but also an efficient investors or stock accounting-based ratio Indicators.

2.3Theoretical Review

This subsection discusses the theory that is critical to this study.

2.3.3 Resource Dependency Theory

Resources dependency theory: The theorist was Jeffery with Gerald in 1970. Resources dependency theory (DPS) is very popular in providing evidence that firms solely relied on the resources (including tangible and intangible) from outside (external) sources which has greater impact on it corporate governance structure in term of how strategic the management of those external resource will be managed (Olayiwola,2018). The RDT (resource decency theory) shows the manner by which external resource in organisation such as capital and managerial expertise affect the behaviour of the organization financial and otherwise (Khalid,2020).

Though, the critics of the theory put a business in a less secured positions adding that managers need to spend a lot of time to organize preventive measure in case there is problem with the providers of such resource which may result in taking valuable time away from managing other aspect of organizational strategies (Asli *et al*, 2010). However, the problem of resource dependent theory can be solved with a good corporate governance system that preaches transparency, fairness accountability and responsibility. Resources dependency theory is based on the principle that a firm must engage in transactions with other actors (investors) in its environment to acquire scare resource (intellectual and finance). The theory is relevant to this study because it actually discussed the power of external non-executive director being a good point of contact to improve financial performance of firms. Therefore, this study adopted resource dependent theory as a theoretical basis in explaining the relationship between corporate governance structure and financial performance of business of insurance in Nigeria context.

2.4 Empirical Review

This aspect of the research reports the empirical findings of various authors who have carried out research related to this study, In the study conducted by Alabi *et al.* (2022) on the nexus and corporate governance effect on financial metrics of FTST using hundred indexes of firms in the UK. It was found that size of board has positive and insignificant relationship with financial variable such as ROA, share price and Tobins Q. Ali *et al.* (2021) on the study of corporate governance and how it impacted corporate financial performance between Pakistan and United State of America, it was argued a negative relationship between mechanism of corporate governance and financial variable, the conclusion found mixed relationship. The study of Sirbu (2021) conducted in Romania on the relationship of corporate governance and its impact on the performance of firms financially, the finding was mixed relationship. Share price and duality of CEO was negative but earning per share and Net Accounting was positive. Isaac *et al* (2021) in his study of corporation in Kenya and performance of insurance firms for 6 years using 51 insurance firms, the regression result showed that board composition negatively affects financial performance business of insurance firms. According to Savitir and Andreas (2020) a study on of the same concept in Indonesia, it found that Board size, Audit committee which are corporate governance mechanism does not in any way have relationship that is significant with financial performance. Kyere *et al,* (2019) in corporate governance and firm financial performance, United Kingdom opined that the relationship between the two variables (corporate governance and financial performance) is mixed. Olayiwola (2018) in his study concluded that a good corporate governance structure will improve financial performance. In their study, for ten listed firms were selected for seven (7) years and mixed relationship was found between corporate governance and financial performance variables. It was also said that appropriate board size and board composition of more non-executive will improve financial performance.

Joseph *et al,* (2017) used a sample of companies listed in Nigeria, and the result for 10 years using multiple regressions showed that corporate governance improves the financial reporting quality positively. However, Friday *et al,* (2016) evaluated the important of corporate governance and financial reporting quality of selected Nigerian company fond a significant mixed relation between explanatory and dependent variable. In their results, the board composition and board size positively affect financial reporting and independent audit committee negatively affect financial reporting quality. In a study by Mattoe *et al* (2015) on corporate governance and financial performance of Italian listed Firms, using a Cross sectional regression, it was found that the relationship between both variable are mixed.

The findings on a topic ‘does corporate governance influences corporate financial performance in U.S.A market by Paunescu and Georgina (2015), it was found that Board size has positive and significant relationship with financial performance when return on equity and return on assets was used as metrics and it was concluded that a moderate board size will definitely improve quality of financial performance. While Ahmed and Hamdan (2015) in the study conducted in Brahrain Bourse on the impact which corporate governance has on the financial performance showed that the relationship between both variable (independent and dependent) is significant and positively related. In the study of David *et al*, (2013) , the study covered all those insurance company quoted in Kenya, the relationship between corporate governance and financial performance indicators was mixed. While board size was found to be negatively affect financial performance there exist a positively relationship of board composition on financial performance of insurance company in Kenya. According to Aggarwal (2013) in his study, it was found a positive and significant relationship between corporate governance and financial performance in India. Asli *et al*, (2010) using a panel data on sample of 164 firms in turkey to explore corporate governance and financial performance with a perspective on institutional ownership, it was a positive relationship and institutional investors tends to be more strongly pronounced on firm in Turkey.

3.0 Methodology

This section deals with the methods and techniques used to conduct the study.

3.1 Research Design

The study adopts Ex-post facto as research design because the data used were readily available from the annual report of the listed sampled insurance companies in Nigeria on their respective websites.

3.2 Population Sample Size and Sampling Technique

This study comprised of 23 (Twenty-Three) listed insurance companies in Nigeria as at time of this study, but 16 (sixteen) were selected through a stratified sampling method. The population was classified into the size of the insurance company and classes of services provided with attention on companies that has reliable and complete information suitable for the period coverage of this study. The selected insurance companies include Hall Mark Insurance, African Alliance, WAPIC Insurance, AIICO Insurance, Axa Masard, Gold Link, International Energy, Mutual Assurance, Univesal Insurance, Linkage Assurance, Prestige Assurance, Regency Insurance, Sovereign Trust, Nem Insurance, Standard Alliance and Cornerstone Insurance.

3.3 Model Specification

The theoretical basis for this study is resource dependent theory. The theory has shown a significant efficiency for establishment of importance of good corporate governance practice to improve performance of organization over time. The study adapted the model of Olayiwola (2018). In her study on effect of corporate governance on financial performance of listed companies in Nigeria. Although, in her model the financial performance variable used were profitability metrics, this current study adapted the model to suit the financial performance metrics of this current study. Thus, Board size (BS) Board composition (BC) Audit committee independence (ACI) and Audit Committee Size was used as independence variables. The response or dependent variables are the accounting-based d financial performance measures as earnings per share, price earnings ratio and dividend per share. Based on the forgoing, the functional forms of the models specified given as:

***EPS* Model**

$EPS_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(1)*

***PER* Model**

$PER_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(2)*

***DPS* Model**

$DPS_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(3)*

Where
t = 2012, … 2023 (annual time series)
i = 1, 2, …, 16 (individual insurance companies)

Thus, the panel data regression models are expressed as follows:

***EPS* Model**

$EPS_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(4)*

***PER* Model**

$PER_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(5)*

***DPS* Model**

$DPS_{it} = f(BDS_{it}, BDC_{it}, ADC_{it}, ADI_{it})$ *(6)*

β_0, θ_0, δ_0 = intercept coefficients
β_j (j = 1,2, …, 4) = Partial slope coefficient of each of *EPS*, *PER* and *DPS* with respect to *BDS*, *BDC*, *ACI* and *SIZE*

3.5 The '*A priori*' Expectations

It is necessary to state the notional relationships as regards the expected signs and magnitudes of the parameters (partial slope coefficients) between the response and explanatory variables. Thus, the *a priori* expectations are stated as follows:
$\beta_j < 0$, where $j = 1,…,4$, for each of the models

The above statements imply expected positive cause-effect relationships between the response variables (*EPS*, *PER* and *DPS*) and explanatory variables (*BDS*, *BDC*, *ADC* and *ADI*).

4. 0 Results and Discussion

Descriptive Statistics

This section provides the descriptive or summary statistics of the variables being examined in the study such as earnings per share (*EPS*), price-earnings ratio (*PER*), dividend per share (*DPS*), board size (*BDS*), board composition (*BDC*), audit committee size (*ADC*), audit independence (*ADI*).

Table 4.1-: Descriptive Statistics

Sample: *N* = 16, *T* = 11 (2012 – 2023)

	Variable						
Statistics	EPS	PER	DPS	BDS	BDC	ADC	ADI
Obs.	192	192	192	192	192	192	192
Mean	0.486	0.603	0.506	8.097	68.699	6.409	69.355
Median	0.500	0.583	0.500	7.000	70.000	5.000	71.430
Maximum	0.900	0.900	0.900	14.00	93.330	7.000	93.330
Minimum	0.100	0.290	0.100	4.000	38.460	3.000	38.460
Std. Dev.	0.247	0.122	0.254	1.950	14.587	2.613	14.985
Skewness	0.089	0.076	0.0387	0.287	0.272	0.294	0.246
Kurtosis	2.809	2.615	2.8336	3.139	2.836	2.643	2.974
Jarque-Bera	0.477	1.239	0.2470	2.5730	2.3701	3.475	1.718
p-value	0.752	0.538	0.861	0.198	0.206	0.176	0.351

Source: Researcher’s computation (2024)

Table 4.1 presents the summary statistics of the above-mentioned panel series. All panel series have their standard deviations lower than their respective averages. This indicates that the panel variables seem to have moderate variability in their distribution across the selected insurance firms for the given sample period. Besides, all the considered panel series appear to have positively skewed distributions judging by their positive coefficients of skewness, however, not far from threshold of zero for normal distribution. Judging by the coefficients of kurtosis, all the panel variables being investigated appear to be moderately peaked (leptokurtic) in their distribution having their kurtosis coefficients approximately around the threshold of 3 following a moment distribution. Overall, the test of normality, using the Jarque-Bera statistics, reveal that all the panel series meet the normal distribution assumption having insignificant test results (*i.e.p*-values> 0.05). Thus, the Jarque-Bera statistics, along with the coefficients of skewness and kurtosis, suggest that the panel variables under consideration exhibit the normality distribution.

Model Estimation Results

The model estimation results are provided herein using the natural logs of the variables under investigation. The static panel data estimators such as random effect (RE) and fixed effect (FE) estimators were utilized since the data structure is that of short panel involving
16 cross-sections, that is, listed insurance company (N = 16) and period of 12 years (T = 12) between 2012 and 2023. Thus, given the objectives of the study, three models were estimated for each of the three objectives of the study.

Table 4.2 presents the summary of the estimates and statistics obtained from the estimation of static panel regression models using the random effect (RE) and fixed effect (FE) estimators. The upper panel or section of the table reveals the estimates of the three models: *EPS* model, *PER* model and the *DPS* model. Meanwhile, the lower panel shows the additional statistics and diagnostics arising from the model estimation.

Table 4.2: Static Panel Model Estimates

Selected Estimator:	RE Estimator	RE Estimator	FE Estimator
Dependent Variable:	*EPS*	*PER*	*DPS*
Independent Variable			
Intercept (*C*)	4.6924*** (0.0001)	2.2995** (0.0488)	4.4289*** (0.0024)
BDS	0.1719* (0.0694)	0.5298** (0.0108)	0.8657** (0.0253)
BDC	0.0324*** (0.0000)	-0.2154 (0.4543)	0.6399*** (0.0024)
ADC	0.1140** (0.0412)	0.2729** (0.0476)	0.5759** (0.0103)
ADI	0.0121** (0.0187)	-0.1361 (0.3788)	0.3817*** (0.0059)
Statistics:			
R-squared	0.5796	0.5475	0.5496
Adj. R-squared	0.4604	0.4252	0.4947
F-statistic (Overall Test)	9.3606*** (0.0000)	2.1316* (0.0790)	10.0178*** (0.0000)
Diagnostics:			
Jarque-Bera	0.0209 (0.9896)	5.2043 (0.0741)	1.3083 (0.5199)
Hausman Test (REM):			
Chi-square stat.	1.6219	2.9110	10.3223**
p-value	(0.8049)	(0.5728)	(0.0160)

Source: Researcher's Computation (2024)

Note**:** The values in the parenthesis ( ) are the p-values underneath the respective coefficients and statistics. The asterisks *****,** & *** denote, respectively, the statistical significance .

Discussion of Findings

In ascertaining the relationship of corporate governance mechanism and financial performance of selected insurance companies in Nigeria, three objectives with their respective panel models were estimated for each of the financial performance measures such as earnings per share, price earnings ratio and dividend per share thus, For Objective One: To ascertain if Board Size, Board Composition, Audit Committee Size and Audit committee independence can jointly affect Earnings Per Share (EPS) of Nigeria insurance companies, the empirical findings reveal that board size, board composition, audit committee size and audit committee independence individually exerted significantly
positive effect on earnings per share as an accounting-based financial performance measure. Emphatically, the foregoing corporate governance measures appear to have severally and jointly consequential impact on earnings per share. This is a positive findings, supported by Alabi *et al* (2020), Joseph *et al*(2017), Paunescu *et al* (2015).
Furthermore, Objective two; To examine if Board Size, Board Composition, Audit Committee Size and Audit Committee independence can jointly affect Price Earnings Ratio (PER) of Nigeria insurance companies the study's findings showed that board size and audit committee size severally exerted significantly positive effect on price earnings ratio while independence individually exerted negative effect, however, inconsequential effect on price earnings ratio as an accounting-based financial performance measure. Nevertheless, the aforementioned corporate governance measures exert jointly significant effect on price earnings ratio. This is a mixed findings, supported by Sirbu *et al* (2021),Kyere *et al* (2019) , and Friday *et al* (2016) .

Similarly, Objective three; To determine whether Board Size, Board Composition, Audit Committee size and Audit Committee Independence can jointly affect Dividend per share (DPS) of Nigeria insurance companies the study's empirical findings reveal that board size, board composition, audit committee size and audit committee independence individually exerted significantly positive effect on dividend per share as an accounting-based financial performance measure. Emphatically, the foregoing corporate governance measures appear to have separately and jointly consequential impact on dividend per share. This is a positive finding, supported by Alabi *et al* (2020), Joseph *et al* (2017), Paunescu *et al* (2015).

5.0 Conclusion and Recommendations

This section presents the conclusion and proffer recommendations based on the findings of the study.

5.1 Conclusion

In the study of the relationship between corporate governance and financial performance, four mechanism of corporate governance were regressed on three keys variable of profitability in Nigeria insurance companies. All the corporate governance mechanism (such as Board size Board composition, Audit committee size and Audit committee independence) has significant and positive relationship with financial performance variables selected for this study such as Earning per share (EPS) and Dividend per share (DPS) but board composition and Audit committee independence has insignificant and negative relationship with Price Earnings Ratios (PER) and important ratio of business investment decision. Therefore, emphatically the practice of corporate company has not been effectively improve the Price Earning Ratio(PER) in Nigeria insurance companies and this among others is the reason why Nigeria insurance industry ranked very low internationally.

Again, from the finding, it is concluded that NAICOM reform/code of conduct has not been effective, this is why the audit committee independence could not be guaranteed as a corporate governance mechanism to and board composition that should be of vibrant individual could not be maintained.

5.2 Recommendations

Based on the findings of this study and conclusion therefrom, the study recommend as follows.

i. Board composition should be more of non-independent executive directors who are knowledgeable in subject matters that can take financial decision to influence price earnings ratio of insurance companies in Nigeria.

ii. Audit committee independence should be allowed to be independent; this will improve price earnings ratios over time. .

iii NAICOM reform/code of conduct for insurance business should be reviewed, appraised and monitored for corporate governance compliance.

iv Nigeria government should formulate policies that will promote the effective practices of corporate governance system among all insurance companies in Nigeria to improve corporate governance index in the world ranking.

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