Original Research Article

Corporate Governance and the Financial Performance of Selected Insurance Companies in Nigeria

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Article History
Received: 14.01.2022
Accepted: 23.02.2022
Published: 27.02.2022

Abstract: This study examined the effect of corporate governance on selected insurance companies using panel data which span from 2016 to 2020 five years for each of the selected insurance companies. This research statistically pinpoint the impact of corporate governance on the financial performance of insurance companies in Nigeria using the most recent data on shareholders controlling interest ratio. The researcher subjected the data to statistical examinations using the panel least square regression and the Granger causality test and the findings revealed that, in line with expectation, board size positively predicted return on assets in insurance companies. This prediction was found to be insignificant however. The study recommends that Insurance companies should possess a board size large enough to encompass individuals of diverse level of knowledge and expertise. This would make the board competent enough to make sound decisions in diverse fields. Compensation of directors should be tailored to the level of the financial performance of the insurance company. This could be done by allotting bonuses and benefits based on profitability.

Keywords: corporate governance, insurance companies, Financial Performance.

INTRODUCTION

Risk is a factor that is inherent in the quest for improvement, expansion and development in any economy. However, the fear of losses associated with risks can discourage economic activities. This makes the insurance (which is a promise of indemnity to insured economic agents in the event of losses) a very significant driver of economic growth and development. The insurance sub-sector of the financial sector aims at flattening various forms of financial tragedy in the economy hence, strengthening the financial and economic system of the country (Shawar and Siddiqui, 2019). Insurance is a vital tool through which the financial misfortunes of an individual and entity are shared by many to reduce the effects of problems. The development of insurance market has been seen to have mutual link to changes in terms of economic, social, political, technological, cultural, religious and demographic forces (Elegunde, Ajemugbohun and Azeez, 2020).

The percentage growth in the annual gross premium has not been progressively stable. However, according to Elegunde *et al.,* (2020) the Nigerian insurance industry have performed poorly owing to poor product mix/pricing strategy; gross inefficient service delivery channels; low integrity of many insurance firms; low insurance awareness among Nigerians; poor labour practices; poor information technology infrastructure; poor regulatory mechanism, and poor enforcement mechanism. The recurring issues of exorbitant management expenses in excess of premium income,

excess liabilities and inability to meet claims payments amongst others by insurance companies has given rise to doubts within the stakeholders and the insuring public as to the transparency, accountability and honesty of insurance companies with respect to financial propriety (Kuye, Sulaimon and Odiachi, 2020).

Having established the need for a stable and financially buoyant insurance industry in an economy, it is evidenced that the insurance companies play a pivotal role in the economic performance of a developing nation like Nigeria. The major concerns are the spate of corporate governance that derailed investors' confidence and built more financial recklessness and the overwhelming incidence of corporate fraud relating to overstated accounts, have informed renewed global emphasis on the need for corporate governance (Okonkwo, Ibenta, and Nkemakolam, 2016; Balogun and Ajao, 2018). Arguably, there is great emphasis on the fact that good corporate governance has a positive link to national economic growth and development. This has made it imperative that the corporate governance code be applied in totality especially with respect to the board function so as to ensure that organizations and their finances are managed properly. To this end, adherence to good corporate governance is recognized as crucial to the success, growth and development of the corporate sector.

An identified problem here is that corporate governance activities seem to have its pros and cons, making it difficult to ascertain the impact of each corporate governance decision on the performance of the insurance company. For instance, insurance company with a large board size would be able to provide more influences on sensitive matters and decisions that affect performance (Zakaria, Purhanudin and Palanimally, 2014). However, it was further argued that small sized board members accelerate decision making processes (Adejare and Aliu, 2020; Okonkwo and Ezeabasili, 2016). Similarly, the impact of board independence has been debated for so long owing to the fact that the absence of board independence usually made the board to be less effective, however, independent board members are the major source of what is referred to as the "agency problem" (Adejare and Aliu, 2020).

Contrasting results from empirical studies have not helped to settle this debate. Some scholars found that board size negatively impacts managerial efficiency while board compensation positively relates to earnings and profitability of listed insurance companies in Nigeria (Ibe, Ugwuanyi and

Okanya, 2017; Adejare and Aliu, 2020; Elegunde *et al.*, 2020; Okonwo, Azolibe, and Nwadibe 2019).

Corporate governance in such studies have often revolved around board of directors and audit committee dynamics. These issues have necessitated current research which would statistically pinpoint the impact of corporate governance on the financial performance of insurance companies in Nigeria using the most recent data available which would also include shareholders controlling interest ratio.

REVIEW OF RELATED LITERATURE
Conceptual Review

Corporate governance is the manner in which the activities and business of organizations are conducted and managed by the management team and board. It is regarded as a system of financial and other controls in an organization which stipulate the relationship between the Board of Directors, senior management and the shareholders (Araoye and Olatunji, 2019; Jose and Teressa, 2015; Balogun and Ajao, 2018; Pere and Obah, 2018). Corporate Governance is normally of two categories namely: self and statutory. Self-regulation involves aspects of Corporate Governance that are difficult to legislate. The issues in this category involve the human element. This expresses the relationship and the independence of the board of directors with the management and the appraisal of directors' performance. On the other hand, statutory regulation is the frame work of Corporate Governance that can be explained in legal terms. The legislative and regulatory rules include duties, obligations, rights and liabilities of directors, controlling shareholders and company officers and disclosure and transparency (Balogun and Ajao, 2018).

Balogun and Ajao (2018) defines insurance as the indemnification of a purchaser of an insurance contract against losses which may arise from the occurrence of specified type of events after the payment of a consideration called premium. Insurance is a pooling of unforeseen losses through a risk transfer mechanism to insurers, who undertake to pay the insured a compensation for any loss suffered, provide financial benefits upon the happening of such losses and render relevant services to mitigate issues arising from such risks (Ubom Williams and Ubom, 2017).Insurance businesses are divided mainly into Non-life and Life insurance. Non- life (General) insurance policies, including automobile and home-owners' policies, provide payments depending on the loss from a particular financial event while life insurance policy is a contract with an insurance company, in exchange for premium payments, the insurance company provides a lump sum payment, known as a

death benefit, to beneficiaries upon the insured's death.

Resource Dependence Theory

This research work is anchored on the resource dependence theory. The resource dependency theory (RDT) was developed in 1978 by Preffer and Salancik (Delke, 2015). The theory focuses on the effect of the external resources of organizations on the performance of the organization. It recognizes the fact that the success of an organization is hinged on the resources available to it and also quantifies its access to power and control. Resource dependence theory proposes that the board of directors is an essential link between the firm and the financial and non-financial resources that are crucial for the firm's growth. This is because "Organizations are not self-contained or self-sufficient, they rely on their environment for existence, and the core of the theory focuses on how organizations gain access to vital resources for survival and growth" (Chen and Roberts, 2010).

Resources of a company can be in form of materials, workers and finance but resources dependency theory is influenced with the importance, abundance and control of the resources (Adejare and Aliu, 2020). They further contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment. It has been argued that the provision of resources enhances the functioning, performance and survival of the firm. Resource dependence theory rests on two fundamental assumptions (Balogun and Ajao, 2018).

The first assumption is that the board of directors offers essential and crucial resources which include business contacts and contracts, knowledge, experience and expertise while the second assumption is that the board of directors has the ability to protect the interests of heterogeneous stakeholders (Adejare and Aliu, 2020). Thus, the board of directors can help the firm to achieve competitive advantage by serving as a direct link between the firm and the environment within which it operates (Chen and Roberts, 2010). It is through this mechanism that corporate governance is expected to reflect in financial performance.

Empirical Review

Elegunde *et al.*, (2020) evaluated the effect of corporate governance practices on financial performance with specific reference to some selected insurance companies in Nigeria. The study adopted ex-post facto research designs. Nine insurance firms were purposively selected to be included in this study. The hypothesis was tested using secondary data from annual reports of selected insurance companies. The data were analyzed using regression method. The test of the hypothesis revealed R-square of 0.529. This depicted a significant influence of independent variable (corporate governance practices) on the dependent variable (profitability).

Kuye (2020) studied corporate governance code, it's effect on sustainability of insurance companies. The study used regression analysis in order to ascertain and establish the relationship existing between both the dependent and the independent variables. Study results revealed that a positive and significant relationship exists between board size of an organization and sustainability at ($r = 0.417$, $p < 0.05$), and with audit committee and sustainability at ($r = 0.442$, $p < 0.05$), thus accepting the alternate hypothesis.

Adejare and Aliu (2020) examines the effect of board members' dynamics on financial performance of insurance company using CARAMELS financial performance indicators. Ex-post facto research design was employed. The results of Serially Correlated Disturbance Random Effects revealed that all the board members' dynamics has a significant relationship with at least a component of CARAMELS indicator. The study concludes that board size, board gender diversity and board diligence increase the management efficiency of insurance companies in Nigeria.

Araoye and Olatunji (2019) examined the effects of corporate governance on financial performance of Nigeria listed insurance companies. It specifically examined the impact of board structure, director's equity interest and board activism on financial performance variables such as Return on Equity, Return on Asset and Tobin's Q. The study utilized secondary data obtained from Annual Audited Report, NSE Fact Book and NAICOM Fact Book of fifteen (15) selected quoted insurance companies. The sampled firms have been in existence for the period 2004-2017. The data collected were analyzed using panel data regression technique. The result revealed that board structure, director's equity interest and board activism had positive impact on performance.

Gambo (2019) examined the effect of board independence, expertise and foreign board member on the financial performance of listed insurance firms in Nigeria. The population of the study comprises 26 listed insurance firms in Nigerian Stock Exchange and 17 were selected as sample the size using random sampling technique. The regression analysis revealed that board expertise and foreign members have statistical significant

effect on the financial performance measured by return on asset (ROA). Board independence has a significant effect on ROA but do not have significant effect on return on equity ROE.

Ajisafe (2019) examines the effect of corporate governance on financial performance of listed insurance companies in Nigeria. The population of the study consists of thirty-four (34) listed insurance companies on the Nigeria Stock Exchange as at 31st December, 2018 and from which twenty-three companies were selected as its sample size through purposive sampling technique. Descriptive and panel regression analysis were employed using the secondary data from the annual reports and accounts of the sampled companies for the period 2013-2018. The study found out that board remuneration has insignificant and negative effect on financial performance of listed insurance companies in Nigeria. The empirical result of the study also revealed that board size has significant positive effect on financial performance of listed insurance companies in Nigeria.

Egwakhe, Akpan and Ajayi (2019) examined the impact of corporate governance on the profitability of insurance companies in Nigeria. The study employed the Cronbach's alpha reliability coefficients, descriptive statistics and Pearson Product Moment Correlation Coefficient Technique. The findings revealed a statistically significant relationship between board diversity components (gender diversity, board composition, board size, board expertise diversity and ethnic diversity) and profitability of selected and listed insurance companies in Nigeria.

Qawariri (2019) who conducted a comparative study on corporate governance practices in banking and insurance companies listed on Tadawul Stock Exchange. Using mean, standard deviation and ANOVA statistical method to analyse data which was collected through Survey Questionnaire and secondary data from annual reports from 2013 to 2017, the study concluded that the corporate governance practices help companies in gaining highest position in the markets, increasing their strength and enhancing the performance levels which reflect on the strong economy and wellbeing of the companies.

Pere and Obah (2018) examined corporate governance and Nigeria insurance industry. The study employed secondary data from the Mutual Benefits, FBN Life, and Zentih Life Insurance Annual Financial Reports from 2005 to 2015, sourced from NAICOM Publication 2011-2015. The hypotheses were tested using multiple regressions to establish the relationship between corporate governance

(proxied by board size, leverage and Audit Committee) and Nigerian Insurance Industry (Proxied by Profit Before Tax). Findings established that Board Size and Audit Committee has significant impact on profit before tax of insurance companies in Nigeria.

Balogun and Ajao (2018) studied the impact of corporate governance on the performance of insurance companies in Nigeria. The study covers the period of 5years between 2011 and 2015, uses multiple regression analysis to test the significant effect of each independent variables on dependent variable and data were obtained through secondary data. It revealed that board size contributes negatively while leverage contributes positively to return on asset. Management team was removed automatically by the package due to multi collinearity problem. The study concluded that corporate governance does not have significant impact on the performance of insurance companies in Nigeria.

Datta (2018) studied the impact of corporate governance on financial performance of 10 listed insurance companies in Bangladesh using board size, board composition, board meetings and board audit committee from 2010 to 2016. The secondary data which was analyzed using descriptive analysis, multiple linear regression, Pearson correlation and collinearity statistics found that board size, board composition, board meetings and board audit committee determined 38.20 percent of the performance (ROE) variance. The result further revealed that a negative relationship between ROE and board composition.

Foluso and Lateef (2017) examined the impact of corporate governance on the performance of insurance companies in Nigeria between 2009 and 2015. The data was analyzed using the Ordinary Least Square regression technique. The findings of the study reported that negative relationship exists between board independence financial performance: Return on Equity (ROE) of quoted insurance companies

Deev and Khazalia (2017) conducted a study on corporate governance, social responsibility and financial performance of European Insurers particularly in Bloomberg within the period of 2000 to 2015. The study found that corporate governance and social responsibility factors significantly influence financial performance in the European insurance sector. Board independence proxied by the percentage of independent directors is a strong determinant of improved market performance. The study also showed that the increased number of

board members on average associated with improved market performance.

RESEARCH METHODOLOGY

This study adopts the *ex-post facto* research design in conducting the research. The *ex-post facto* research design involves investigation of past trends in order to draw conclusions on the relationship between economic phenomena. This research design is best suited to this study because of the nature of the data used for this study. This data is readily available from secondary sources and are free from biases associated with collecting primary data.

This study uses panel time series data for the analysis. The panel data includes time series data from 2016 to 2020 for each of the selected quoted insurance companies. The selected insurance companies include; Leadway Assurance Company, AIICO Insurance Company, Custodian Insurance Plc, AXA Mansard Insurance Plc, NEM Insurance Plc, Mutual Benefit Assurance, African Alliance Insurance.

Research Model

This research study adopts the model used in the study of Gambo *et al.*, (2019) in which Return on Assets (ROA) is expressed as a function of Board Independence, Board Expertise, Foreign Board Members, Firm Size, Leverage, Market Value and Firms' Growth.

This study however expresses Return on Assets (ROA) as a function of Board Size (BSZ), Board Independence (BIN), Board Compensation (BCOM) and Controlling Interest Ratio (CIR) as stated as equation 1.

$ROA = f(BSZ, BIN, BCOM, CIR)$ .... eq 1

The econometric model of the study which accounts for the constant term, the regression coefficients and the error term is stated as equation 2

$ROA = \alpha_0 + \alpha_1 BSZ + \alpha_2 BIN + \alpha_3 BCOM + \alpha_4 CIR + \mu_t$ .... eq 2

α_0 is the intercept or the constant term; which is the value of the ROA not explained by the independent variable. α_1, α_2, α_3 and α_4 are the coefficients of the regression. μ_t is the error term of the regression.

The variables used in the study can be grouped into two namely the dependent variables and the independent variables. The dependent variable represents the performance of Insurance companies. This is the variable which the researcher seeks to predict as a function of the independent variable. The selected proxy for performance of the insurance companies is the Return on Assets (ROA). This is a measure of the profitability of the company. It refers to how efficient the insurance company is in generating profits from its productive assets. ROA is calculated by dividing profit before taxes by the total value of assets and expressed in percentage terms.

The independent variables however, are the variable whose variations are expected to influence the dependent variable (ROA) to some extent. The independent variables used in this study is corporate governance which is measured by board size, board independence, board compensation and controlling interest ratio.

Data Presentation
Descriptive Statistics

	ROA	BCOM	BIN	BSZ	CIR
Mean	5.025015	121.6629	0.145143	7.942857	0.971510
Median	3.783018	96.30000	0.140000	8.000000	0.971377
Maximum	17.57455	295.0000	0.330000	13.00000	3.832055
Minimum	-19.27014	40.80000	0.000000	3.000000	-0.550687
Std. Dev.	7.193372	63.04845	0.090890	2.099620	0.585703
Skewness	-1.015606	0.977071	-0.109464	-0.329810	2.798826
Kurtosis	5.537878	3.028755	2.216228	3.277384	18.87519
Jarque-Bera	15.40969	5.570105	0.965748	0.746727	413.2266
Probability	0.000451	0.061726	0.617007	0.688415	0.000000
Sum	175.8755	4258.200	5.080000	278.0000	34.00285
Sum Sq. Dev.	1759.316	135153.6	0.280874	149.8857	11.66363
Observations	35	35	35	35	35

Source: *E-views 11.0 Descriptive Statistics Output, 2022*

The data reveals that the mean Return on Assets for the selected insurance companies is 5.03% and this figure is highly volatile as the standard deviation (7.19%) is higher than the mean

itself. The highest ROA recorded by any of the selected insurance companies is 17.57% while the smallest figure is -19.27%. The average board of directors of the selected insurance company earn

₦121.66M annually. Within the reviewed period, the highest compensation paid to any board of directors is ₦295.0 and the lowest figure is ₦40.8M. On the average, the selected insurance companies are governed by 7 board members with a standard deviation of 2.09. The highest largest board is made up of 13 members while the smallest board size is made up of 3 members.

Data Analysis

The data analysis is split into two subsections; firstly the Panel Least Square Regression and secondly the Granger Causality Test.

Panel Least Square

The Hausman test was used to determine if the Fixed Effect Model or the Random Effect Model was adopted for the panel regression. The result of the Hausman test is shown in table 4.7.

Hausman Test Result

Correlated Random Effects - Hausman Test		
Equation: Untitled		
Test cross-section random effects		
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.658771	4	0.1551

Source: *E-views 11.0 Hausman Test Output, 2022*

The p-value shown in table is 0.1551 which is greater than 0.05 which indicates that the null hypothesis of random effects is accepted. Therefore, the panel data regression was conducted using the Random Effect Model.

Panel Least Square Regression

Dependent Variable: ROA				
Method: Panel EGLS (Cross-section random effects)				
Sample: 2016 2020				
Periods included: 5				
Cross-sections included: 7				
Total panel (balanced) observations: 35				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BCOM	0.006793	0.019563	0.347214	0.7309
BIN	-21.56891	13.53610	-1.593436	0.1215
BSZ	0.558381	0.602722	0.926432	0.3616
CIR	4.540572	1.548066	2.933060	0.0064
C	-1.517166	5.307629	-0.285846	0.7770
	Effects Specification			
			S.D.	Rho
Cross-section random			4.375891	0.4591
Idiosyncratic random			4.750085	0.5409
	Weighted Statistics			
Root MSE	4.588464	R-squared		0.283701
Mean dependent var	2.194504	Adjusted R-squared		0.188195
S.D. dependent var	5.500661	S.E. of regression		4.956107
Sum squared resid	736.8900	F-statistic		2.970495
Durbin-Watson stat	2.064713	Prob(F-statistic)		0.035239

Source: *E-views 11.0 Panel Least Square Regression Output, 2022*

The results of the Panel Least Square Regression shows that board compensation, board size and controlling interest ratio positively predicts return on assets of insurance companies. The prediction is however significant only in the case of controlling interest ratio with a p-value of 0.006 which is less than 0.05. With regression coefficients of 0.007, 0.558 and 4.541 for board compensation, board size and controlling interest ratio respectively, it can therefore be predicted that each unit increase in board compensation, board size and controlling interest will coincide with increase in Return on Assets by 0.007, 0.558 and 4.541 respectively. On the other hand, the results also showed that board independence is negatively (B = -21.56) and insignificantly ($p > 0.05$) related to ROA. The R-squared value of 0.2837 indicates that just about 28% of the variations in ROA can be explained by the combined variations of board size, board independence, board compensation and controlling

interest ratio. The prob (F-statistics) value is 0.03 which is less than 0.05, indicating an overall significance of the relationship between corporate governance and performance of insurance companies.

Granger Causality Test

The Granger causality test reveals the direction of causation (effect) between two variables. The result of the Granger causality test is revealed in tables 4.9, 4.10, 4.11 and 4.12

Granger Causality Test for Board Size and ROA

Pairwise Granger Causality Tests			
Sample: 2016 2020			
Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
BSZ does not Granger Cause ROA	28	6.36114	0.0184
ROA does not Granger Cause BSZ		0.32008	0.5766

Source: *E-views 11.0 Granger Causality Test Output, 2022*

As shown in table 4.9, with a p-value of 0.0184 which is less than 0.05, it is revealed that board size does cause ROA. On the other hand, p-value of 0.5766 reveals that ROA does not cause board size. It therefore shows that there is a unidirectional causation flowing from board size to ROA in insurance companies in Nigeria.

Granger Causality Test for Board Independence and ROA

Pairwise Granger Causality Tests			
Sample: 2016 2020			
Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
BIN does not Granger Cause ROA	28	3.19339	0.0861
ROA does not Granger Cause BIN		0.19915	0.6592

Source: *E-views 11.0 Granger Causality Test Output, 2022*

As shown in table, with a p-value of 0.0861 which is greater than 0.05, it is revealed that board independence does not cause ROA. Likewise, p-value of 0.5766 which is also greater than 0.05, reveals that ROA does not cause board independence. It therefore shows that there is no causation flowing from board independence to ROA in insurance companies in Nigeria.

Granger Causality Test for Board Compensation and ROA

Pairwise Granger Causality Tests			
Sample: 2016 2020			
Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
BCOM does not Granger Cause ROA	28	0.09950	0.7550
ROA does not Granger Cause BCOM		0.02663	0.8717

Source: *Eviews 11.0 Granger Causality Test Output, 2022*

As shown in table 4.11, with a p-value of 0.7550 which is greater than 0.05, it is revealed that board compensation does not cause ROA. Similarly, p-value of 0.8717 which is also greater than 0.05, reveals that ROA does not cause board compensation. It therefore shows that there is no causation flowing from board compensation to ROA in insurance companies in Nigeria.

Granger Causality Test for Controlling Interest Ratio and ROA

Pairwise Granger Causality Tests			
Sample: 2016 2020			
Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
CIR does not Granger Cause ROA	28	16.7096	0.0004
ROA does not Granger Cause CIR		11.9636	0.0020

Source: *E-views 11.0 Granger Causality Test Output, 2022*

As shown in table, with a p-value of 0.0004 which is less than 0.05, it is revealed that controlling interest ratio does cause ROA. In the same vein, p-value of 0.0020 which is also less than 0.05, reveals

that ROA does cause controlling interest ratio. It therefore shows that there is bidirectional causation flowing both ways between controlling interest ratio and ROA in insurance companies in Nigeria.

As shown in table, a p-value of 0.0184 is less than 0.05. Therefore, the null hypothesis is rejected in favour of the alternate hypothesis. This indicates that board size has significant impact on the return on assets of insurance companies in Nigeria.

As shown in table, a p-value of 0.0861 is greater than 0.05. Therefore, the null hypothesis is accepted at the expense of the alternate hypothesis. This indicates that board independence has no significant impact on the return on assets of insurance companies in Nigeria.

As shown in table, a p-value of 0.7550 is greater than 0.05. Therefore, the null hypothesis is accepted and the alternate hypothesis is rejected. This indicates that board compensation has no significant impact on the return on assets of insurance companies in Nigeria.

As shown in table, a p-value of 0.0004 is less than 0.05. Therefore, the null hypothesis is rejected in favor of the alternate hypothesis. This indicates that controlling interest ratio has significant impact on the return on assets of insurance companies in Nigeria.

DISCUSSION OF THE FINDINGS

This study examined the impact of corporate governance on the financial performance of insurance companies in Nigeria using data collected from selected insurance companies. Corporate governance was decomposed into board size, board compensation, board independence and controlling interest ratio while financial performance of insurance companies was measured in terms of return on assets (ROA). The researcher subjected the data to statistical examinations using the panel least square regression and the Granger causality test and the findings revealed that, in line with expectation, board size positively predicted return on assets in insurance companies. This prediction was found to be insignificant however. This finding confirms the positions of the Resource Dependency theory which asserts that board of directors offers essential and crucial resources which include business contacts and contracts, knowledge, experience and expertise couple with monitoring role that they perform which improves the financial performance of a firm.

This is as a result of the fact that board size has been identified as a factor that significantly increases management efficiency of insurance companies (Adejare & Aliu, 2020). Recently, Kuye (2020) established that bigger board size contributed positively to the sustainability of insurance firms. This indicates that insurance companies with broader board size are more sustainable and as a result they perform better financially than insurance companies with relatively smaller board sizes. Ultimately, Ajisafe (2019) also established a direct connection between board size and financial performance of listed insurance companies in Nigeria.

The result of the Granger causality test also revealed that this relationship culminated into impact as board size was found to have significant impact on return on assets of insurance companies in Nigeria. This shows that increasing board size actually causes ROA to increase as well. Deev and Khazalia (2017) also found that the increased number of board members on average is associated with improved market performance. In the study of Ebere *et al.*, (2016), board size is also positively associated with earning per share of insurance companies.

The panel least square regression also revealed that, as expected, board compensation is positively related to return on assets of insurance companies in Nigeria. This indicates that a higher paid board would predict higher returns on assets. Adejare and Aliu (2020) also found that board compensation positively relates to earnings and profitability of listed insurance companies in Nigeria. However, just as Ajisafe (2019) found, the relationship between board compensation and financial performance of listed insurance companies in Nigeria is insignificant. The Granger causality test also revealed that board compensation did not significantly impact the financial performance of insurance companies in Nigeria.

The findings of the study also revealed that controlling interest ratio is positively and significantly related to return on assets of insurance companies in Nigeria. This finding is in line with the findings of Balogun and Ajao (2018) who found that leverage, a similar variable to controlling interest ratio, positively contributes to return on assets. This reveals that the amount of capital that reflects the shareholders' control is a strong determinant of return on assets of insurance companies in Nigeria. Furthermore, the findings of the study revealed a bidirectional flow of causality between controlling interest ratio and ROA. This indicates that controlling interest ratio positively and significantly impacts ROA and in turn, ROA positively and significantly impacts controlling interest ratio.

On the other hand, the panel least square regression showed that board independence has a negative and insignificant relationship with return on assets of insurance companies in Nigeria. Gambo *et al.*, (2019) also established that board independence do not have significant effect on return of insurance companies in Nigeria. Foluso and Lateef (2017) also found negative relationship exists between board independence and financial performance of quoted insurance companies. This finding confirms the theoretical positions of the Agency theory which indicates that a principal-agent problem is set to arise when independent individuals are employed to run the affairs of a firm. However, the Granger causality test found no flow of causation between both variables indicating that board independence has no significant impact on ROA of insurance companies and neither did ROA have significant impact on board independence of insurance companies in Nigeria.

Overall, the study found that corporate governance is significantly connected with financial performance of insurance companies. The recent study of Elegunde *et al.*, (2020) also confirmed that corporate governance has significant influence on profitability. These findings indicate that corporate governance can be used to determine the level of financial success of insurance firms.

The results of the panel least square regression and Granger causality test are summarized thus;
1. Board size has positive and insignificant relationship with return on assets and a unidirectional causality (impact) flowed from board size to return on assets of insurance companies in Nigeria.
2. Board compensation has positive and insignificant relationship with return on assets but no causality (impact) was found between board compensation and return on assets of insurance companies in Nigeria.
3. Board independence has negative and insignificant relationship with return on assets but no causality (impact) was found between board independence and return on assets of insurance companies in Nigeria.
4. Controlling interest ratio has positive and significant relationship with return on assets and a bidirectional causality (impact) was found between controlling interest ratio and return on assets of insurance companies in Nigeria.

CONCLUSION
Based on the findings of the study, the study concludes that corporate governance has impact on the financial performance of insurance companies in Nigeria. Specifically, the study concludes that board size and controlling interest positively impacts the financial performance of insurance companies in Nigeria. Hence a bigger board size and larger span of shareholder's control leads to improved financial performance of insurance companies. Board compensation may not affect financial performance but one can predict that insurance companies with well-paid board members would outperform insurance companies with poorly-compensated board members. On the other hand, though the board independence may not cause financial performance of insurance companies, one can determine from the negative relationship that boards with less independent members perform better than boards with more independent members.

RECOMMENDATIONS
The findings of the study prompt the following recommendations;
Insurance companies should possess a board size large enough to encompass individuals of diverse level of knowledge and expertise. This would make the board competent enough to make sound decisions in diverse fields.

Compensation of directors should be tailored to the level the financial performance of the insurance company. This could be done by allotting bonuses and benefits based on profitability. By so doing, directors would strive towards the profitability of the firm.

Insurance firms must ensure that the ratio of independent directors to employed directors are reduced the barest minimum. The independent directors must be individuals with proven expertise and proficiency in specialized fields that promote business financial performance.

Insurance firms should ensure that over 95% of its equity are held as controllable interest. Greater dispersion of control ensures that the interests of a certain group of shareholders does not subvert the interest of the company.

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