IGWEBUIKE: An African Journal of Arts and Humanities. Vol. 10. No. 2, (2024)
ISSN: 2488- 9210 (Print) 2504-9038 (Online)
Department of Philosophy and Religious Studies, Tansian University, Umunya

BOARD INDEPENDENCE BOARD SIZE GENDER DIVERSITY AND FINANCIAL PERFORMANCE OF LISTED INSURANCE FIRMS IN NIGERIA

Yunusa, Acho[1], Musa, Jibrin Success, PhD[2] and Dr. Achema Friday[3]
[1]Department of Accounting, Federal Polytechnic Idah
[2&3]Department of Accounting, Veritas University Abuja

DOI: 10.13140RG.2.2.14554.96967

Abstract
The effectiveness and efficiency of the board of directors as a monitoring tool for the management of an organization is essential to the performance of the firms. Given that board efficiency is subject to its structure, it, therefore, becomes imperative for studies to empirically ascertain board independence board size gender diversity and financial performance of listed insurance firms in Nigeria. The population comprises all the quoted insurance firms in Nigeria while the filtering technique was used to arrive at a sample size of twenty-three (23) listed insurance firms in Nigeria. The hypotheses were tested using a robust random effect regression model after conducting some diagnostics tests. The results of the first model show that board size, gender diversity, and board independence have a significant positive relationship with the return on equity of listed insurance firms in Nigeria. The study recommends among others, that the insurance firms should constitute a small board size that is drawn from those who are well experienced and knowledgeable in the industry to bring their expertise to bear and enhance the financial performance of the firms in Nigeria. The firm size should not be put into consideration when making decisions regarding board structure as it does not influence the relationship between most board structure variables and the financial performance of insurance firms in Nigeria.
Keywords: Financial Performance, Insurance Firms In Nigeria, Gender

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 (Moses, 2023). Although attention has been given to corporate governance in developing countries, many of these countries still suffer from a lack of appropriate governance. This is seen as a contributing factor to financial crises (Olee, 2023). Therefore, corporate governance in both developed and developing countries has attracted considerable attention in academic research.

A variety of corporate governance frameworks have been developed and adopted in different parts of the world. According to Mulili & Wong (2018), countries that followed civil law (such as France, Germany, Italy, and the Netherlands) developed corporate frameworks that focused on stakeholders. On the other

hand, countries that had a tradition of common law (e.g. Australia, United Kingdom, USA, Canada, and New Zealand) developed frameworks that focused on shareholders' returns or interests. Corporate governance has become a topical issue because of its immense contribution to the economic growth and development of nations.
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 of the participants in the firm and also spells out the rules and procedures for decision-making. Sunday (2018) agreed that corporate governance provides the structures through which the company's objectives are set and strategies, tactics and the means of attaining those objectives and monitoring performance is defined.

The recent global financial crisis has negatively impacted the economy of countries, resulting to major challenges in insurance companies. The crisis was aggravated by corporate scandals around the world. These events suggest failing corporate governance, for instance the recent financial scandals due to accounting frauds and funds management in large institutions as Adelphia, Enron, and WorldCom were traced to the behaviour of top executives and their excessive risk taking which does not serve the best interest of shareholders and other stakeholders. A vivid example of corporate failure in Nigeria is the banking experienced in 2022 which led to the collapse of stock market. There was also Cadbury Nigeria's case of over-statement of its profit by ₦13.25billion between 2018 and 2019. Cadbury's board was able to do this through stock buy- back, cost deferrals, trade loading and false supplier's stock certificates. In 2007, Nampak Nigeria Plc. overstated its accounts by ₦2.8billion, while the board of African Petroleum Plc. concealed ₦22billion in its 2000 accounts.

The crisis emanated from excessive risk-taking Kashyap (2018) thus increases the level of risks faced by firms (Raber, 2021). This highlights the importance of appropriate corporate governance structure for managing firms' risks. Insurance companies were not left out during the crisis as some of the insurance shares have become worthless. A share that was worth ₦2.50 became ₦0.50k per share, some Insurance companies folded up, while some were merged, and those that could wither the storm remain afloat all because of absence of good corporate governance.

Insurance is a key component of the financial services sector. Insurance activity promotes growth by providing a platform for efficient risk management, promotes long term savings, encourages accumulation of capital and mobilizes domestic savings for productive investment (Arena, 2008). Insurance services are essential for economic stability and development. A virile insurance sector is a yardstick for measuring healthy economy and efficiency of financial services sector (Marijuana, 2023).

The corporate governance mechanisms based on the corporate governance code of 2022 are used as the monitoring mechanisms of the management and the accountability to shareholders, which are in line with the agency theory perspective. Firm size, board independence and gender diversity have been shown to affect the relationship between corporate governance and firm performance (Lehn, 2018). Therefore, this study uses firm size, board independence and gender diversity as the control variables. Financial performance in this study is measured using return on assets (ROA) as the dependent variable.

The board size is very fundamental to effective corporate decision making which in turn has effect on the performance of the firm and determining the ideal board size for an organization is very important because the number and quality of directors in a firm determines and influences the board functioning and hence firm financial performance. Proponents of large board size believed it provides an increased pool of expertise because larger boards are likely to have more knowledgeable and skillful people with diverse experience at their disposal. Optimum board size of between a minimum of eight have been prescribed at various times by codes of corporate governance of quoted companies, banks and financial institutions in Nigeria (CG code, 2018; section 5.4).

Board independence can either increase or decrease the financial performance of the firm in Nigeria. A board of directors that consists of more independent Non-Executive Directors is likely to perform better than those majorly constituted by the executive directors because of the self-interest of the individual. Extant literature is of the view that the board should consist of more independent Non-Executive Directors, who are likely not easily influenced by the management. The board has a great influence on firm performance in that a highly independent board will be able to effectively reduce agency problems by effectively monitoring the management to mitigate their opportunistic behavior (Achema et. al. 2022)

Board gender diversity is a very important measure of board structure. Arguments in the literature revealed that women are more diligent and conservative than their male counterparts and that their inclusion on the board will eliminate or reduce sharp practices in the firm. It is believed that women's participation on board increases the quality of corporate efficiency, which aids effective and efficient decision-making and reduces agency problems within the organization (Adams & Ferreira, 2009). The presence of women on boards of companies and its effect on firm performance is necessary to be studied because of the influence it has on performance.

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 relationship 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.

One of the major objectives of corporate governance practice is to enhance corporate performance by reducing potential conflicts between managers and the interests of the shareholders and also combined benefits of all stakeholders by considering the interests of all stakeholders. Therefore, corporate governance concept is of paramount in maximizing corporate performance. Theoretically, the major contribution of this study is to add to the existing debate of the appropriate model of corporate governance mechanisms in developing countries, in which there has been no clear answer regarding whether the stakeholder or shareholder would be an appropriate model for developing countries, especially for developing economy like Nigeria.

However, the findings of this study may suggest that the stakeholder perspective or shareholder of governance is more appropriate for developing countries like Nigeria. Consequently, it provides useful insights for government agencies regarding the need to implement a good corporate governance framework. These brought up the question, what are the possible obstacles/enablers to the implementation of the best corporate governance mechanisms in Nigeria?

Also in examining corporate governance mechanisms and their compliance with codes and International best practices on Insurance firms quoted in the Nigerian Stock Exchange, previous research (Sanda, *et al* (2023) Brown & Caylor (2014) and Tukur and Bilikisu (2014) did not comprehensively breakdown into Board Independence, Board size, Gender diversity, hence previous researches failed to determine which particular aspect of corporate governance mechanisms have a significant effect on the financial performance of listed Insurance companies in Nigeria.

Therefore, what has not been resolved in the existing literature 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 on the financial performance of listed Insurance companies in Nigeria.

Also, all the empirical researches reviewed in this study, none covered the period from 2012 to 2022. This study would provide up to date evidence on the effect of corporate governance mechanisms on the financial performance of insurance companies in Nigeria and also 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, and 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. 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.

The main objective of the study is to board independence board size gender diversity and financial performance of listed insurance firms in Nigeria. Specific objectives are to:

1. Evaluate the effect of board independence on Return on Equity of listed Insurance companies in Nigeria,
2. Examine the influence of board size on Return on Assets of listed Insurance firms in Nigeria and
3. Access the effect of gender diversity on Return on Assets of listed Insurance firms in Nigeria.

In line with the objectives of the study, the hypotheses to be tested include:

H_{O1}: board independence has no significant effect on Return on Equity of listed Insurance companies in Nigeria,

H_{O2}: board size has no significant effect on Return on Assets of listed Insurance firms in Nigeria

H_{O3}: gender diversity has no significant effect on Return on Assets of listed Insurance firms in Nigeria

This study is limited to the practice of corporate governance in Nigerian insurance firms. The effort is made to analyze the effects between the corporate governance proxies as well as the financial performances of Nigerian insurance firms. The scope is limited to Nigeria where corporate governance is still evolving and covers the period from 2012 to 2022 which differentiates it from previous empirical studies. Corporate governance as an overall concept covers the areas of compliance with the corporate and company law, code of best practices and ethical norms and risk management in insurance firms so as to safeguard assets from expropriation and the installation and nourishment of both the statutory and internal audit functions in their helping and appraisal roles. The study involves both dependent and independent variables which is corporate governance proxies (board's independence, size of the board, gender diversity) as independent or explanatory variables, while the dependable variable is financial performance looking at three measurements on return on assets (ROA)

Literature Review

In this section, conceptual issues relating to corporate governance, proxies of corporate governance, financial performance among others are discussed and presented.

No generally accepted definition of corporate governance (CG) enjoys consensus 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, 2022). In other words, several scholars have viewed corporate governance (CG) differently from their perspectives (Cai, et al. 2021).

For instance, Maher & Anderson (2023); and Craig (2019) 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 it 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, 2018)

Conclusively, what is evident from the various definitions received is that corporate governance is the set of structures, processes, cultures, and systems through which objectives are set, and the means of attaining the objectives and monitoring performance are determined and companies are directed and controlled. The four (4) components of effective corporate governance, as suggested by Klapper & Love (2018) are the board's composition (BC), board size (BS) Power separation (PS), and the composition of the audit committee (CAC). Perhaps it may be correct to some extent but how effective is corporate governance without consideration of board independence, board size, gender diversity, and insider dealings emanating from the actions of the board and management? These factors also need to be considered as their negative contribution might have adverse effect on the running of a corporate enterprise.

The board of directors plays an important role in improving corporate governance and the value of a firm (Hanrahan, *et al*, 2023). The value of a firm is also improved when the board performs its fiduciary duties such as monitoring the activities of management and also involved in the selection of the right staff for the firm. The board consists of two types of directors, outside directors and inside directors. The outside directors are more independent than the inside directors, however, the majority of directors in a board should be independent to make rational decisions and create value for the shareholders. The role of independent directors is important to improve the value of a firm and can force the management to make unbiased decisions.

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 2018; Tomasic, *et al,* 2021). 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 (2023) and (Bhagat & Jefferris 2021). Board independence has been suggested to help reduce the agency problem. Most previous studies find better performance for firms with boards of directors dominated by outsiders.

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 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 (2023) and (Zahra & Pearce, 2023).

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, 2016).

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, 2023). Gender advocates suggest that to make managers and board members act ethically and efficiently there should be support for gender diversity on the boards of directors (Field & Keys, 2021). It has equally been suggested that the more women board members, the more there is a significant positive relationship between gender diversity and firms' financial performance (Williams, 2018).

Empirical Studies.

Moses, (2023) evaluates 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 the study. The hypothesis was tested using secondary data from annual reports of selected insurance companies. The test of the hypothesis revealed an R2 of 0.529. This depicted a significant influence of the independent variable (corporate governance practices) on the dependent variable (profitability) and the p-value < 0.05. The study recommended among others that there should be corporate accountability movement in the insurance industry through well-framed mandatory corporate reporting covering all aspects of social environment and economic performance. This will be pursued logically by having a good corporate code of governance to give direction.

Omonu, (2023) empirically investigates the corporate governance system to find out the relationship that exists between board size, board composition, earnings per share (EPS), and Return on Assets (ROA) of quoted insurance companies in Nigeria from (2008 to 2022) respectively. To accomplish the purpose of the study, data was sourced from 14 insurance companies and analyzed using Pearson Correlation and Multiple regression analyses. The study shows that board size had a positive and statistically significant relationship with Return on asset and Earnings per share (EPS). Furthermore, the findings showed that there was a positive and statistically significant relationship with board size and earnings per

share. From the findings, he conclude that board size and board composition contribute significantly to the financial performance of insurance companies in Nigeria. He therefore recommend that; regulators must ensure that competent independent members are well represented on the board of directors, and insurance companies should adhere strictly to the corporate governance code of conduct as it affects board size and board composition to achieve maximum performance.

Bakare, (2023) examines the effect of corporate governance on selected insurance companies using panel data which span from 2016 to 2021 five years for each of the selected insurance companies. This research statistically pinpoints the impact of corporate governance on the financial performance of insurance companies in Nigeria using the 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 levels 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.

Otorm, (2023), empirically investigates the relationship between corporate governance and financial performance of quoted insurance companies in Nigeria within the period 2012 - 2021. It also ascertains the relationship between board size, board independence, audit committee supervision, board gender diversity, and financial performance of quoted insurance companies in Nigeria. The study employs panel data from nineteen (19) sampled insurance companies quoted on the Nigerian Stock Exchange. Data were collected from annual audited reports of the quoted insurance companies. Panel OLS regression methodology was used to analyze the data and the data were regressed with the aid of EVIEWS 7.0 econometric software package. The study revealed that board size, board independence, and audit committee composition hurt financial performance while board gender diversity positively influences financial performance. However, none of the corporate governance variables (BZS, BDI, BGD, and AUD) significantly influence financial performance (ROE). The study therefore recommends that steps should be taken for mandatory compliance with the code of corporate governance by the management of insurance companies in Nigeria.

Attah, (2023), investigate the effects of Corporate Governance on the financial performance of listed insurance companies in Kenya. Specifically, this study examined board size, board composition, CEO duality and leverage and how they affect the financial performance of listed insurance Companies in Kenya. Firm performance was measured using Return on Assets (ROA) and Return on Equity (ROE). This study adopted a descriptive research design. The study population

was all those insurance Companies which were quoted on the Nairobi Securities Exchange as at December 2021. The primary data were collected through the administration of questionnaires to the staff in these listed insurance firms. Stratified random sampling technique was used to obtain the sample staff for the purpose of administering questionnaires. Secondary data were collected using documentary information from Company annual accounts for the period 2007 to 2011. Reliability test was carried out using Cronbach's alpha model. Both descriptive and inferential statistics were used. Data was analyzed using a multiple linear regression model. The study found that a strong relationship exists between the Corporate Governance practices under study and the firms' financial performance. Board size was found to negatively affect the financial performance of insurance companies listed at the NSE. There was a positive relationship between board composition and firm financial performance. However, the most critical aspect of board composition was the experience, skills and expertise of the board members as opposed to whether they were executive or non-executive directors. Similarly, leverage was found to positively affect financial performance of insurance firms listed at the NSE. On CEO duality, the study found that separation of the role of CEO and Chair positively influenced the financial performance of listed insurance firms.

Dorathy, (2023) examines the impact of corporate governance on the performance of insurance companies in Nigeria. The study covers the period of 5years between 2011 and 2023, uses multiple regression analysis to test the significant effect of each independent variables on dependent variable and data were obtained through secondary data. It was reveals 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 and recommends that NAICOM should improve on supervision of the nation's insurance industry activities by strengthening its inspection and enforcement divisions. This is necessary to ensure that the code of good corporate governance for insurance industry is strictly adhered to by practitioners and other stakeholders. Compliance with code of good corporate governance would promote safe and sound insurance practice in the insurance industry.

Monday, (2023) identify the impact of corporate governance on the financial performance of insurers in Ethiopia. Explanatory research design was used to measure the effect of corporate governance mechanisms on the financial performance of insurers which is measured by ROA. The corporate governance variables of the study are board size, board gender diversity, board business management experience, meeting frequency of the board, educational qualification of the board, board subcommittee size, firm size, leverage, liquidity, and the dividend payment policy of the company. This study used both primary and secondary sources of data which are more quantitative and qualitative. Data for Board size, board meeting frequency, the number of board sub-committees, board gender diversity, business management experience of board members, and

the board members' educational qualifications are obtained through questionnaires administered to insurers CEOs/Presidents or board secretaries. Data for firm size, liquidity, leverage, and dividend payment policy of insurers were obtained from secondary sources. Eleven insurers were selected to investigate the impact of corporate governance on the financial performance of insurers based on a purposive sampling method. This study used random panel regression analysis. Based on a regression analysis firm size, board subcommittee size, and liquidity have a significant positive impact on the ROA of insurers while leverage has a significant negative impact on ROA. Furthermore, board size, meeting frequency of the board, educational qualification of board members, board gender diversity, business management experience of the board, and dividend payment policy have had an insignificant impact on the ROA of Ethiopian insurers.

As further observed, most prior studies on corporate governance and performance made use of the market-based performance measure and not accounting performance measures. To cover the gaps in prior studies, this study examines the effect of corporate governance on the financial performance of Nigerian Insurance firms. However, from their studies, there was no empirical evidence linking insurance companies financial performance to corporate governance in Nigeria apart from the one by Tukur & Bilikisu (2014) which dwell only on board diversity on financial performance of Nigerian insurance companies though made brief reference to board size and gender diversity, but did not go further to look at other variables like board independence, board size, gender diversity, ownership concentration of shareholding, management shareholdings, audit committee independence and leadership structure that affect financial performance of insurance companies in Nigeria.

This study is anchored on stewardship theory because the theory is based on the assumption that the interests of shareholders and the interests of management are aligned; hence management is motivated to make decisions that would maximize the firm's performance and total value.

Stewardship theory has its roots in psychology and sociology. The theory is based on the assumption that the interests of shareholders and the interests of management are aligned; hence management is motivated to take decisions that would maximize the 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 make decisions that would minimize their liability while achieving the firm's objectives (Donaldson & Dave, 1991). Thus, stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholder's returns.

Unlike agency theory, stewardship theory stresses the role of top management as stewards, expected to integrate their goals as part of the organization. This suggests that stewards are satisfied and motivated when organizational goals are attained. Davis (1997) identifies five components of the management philosophy of stewardship: trust, open communication, empowerment, long-term orientation, and performance enhancement. Daily (2023) argues that executives and directors are inclined to protect their reputations by ensuring that their organizations are properly operated to maximize financial performance. Shleifer & Vishny (1997) affirm that managers work to maximize investors' profit and to establish a good reputation to enable them to retain their positions. Stewardship theory also advocates unifying the role of the CEO and the chairman in order to reduce agency costs (Abdullah & Valentine, 2022). Finally, Donaldson & Davis (1991) show that combining both stewardship theory and agency theory improved firm performance, rather than separated.

A stewardship protects and maximizes shareholders wealth through firm performance, because by so doing the steward utility function are maximized. Davis, et al. (1997) and also cited in (Cullen, Kirwan & Brennan 2021). The stewardship perspective suggests that the attainment of organizational success also satisfies the personal needs of the steward. The steward identifies greater utility accruing from satisfying organizational goals than through self-serving behavior. Stewardship theory recognizes the importance of structures that empower the steward, offering maximum autonomy built upon trust. This minimizes the cost of mechanisms aimed at monitoring and controlling behaviors (Davis, et al. 1997). Daily (2023) contends that to protect steward's reputation as expert decision makers, executives and directors are inclined to operate the firm in a manner that maximizes financial performance indicators, including shareholder returns on the basis that firms performance directly impacts perceptions of their performance. According to Fama (1980) in an attempt to be an effective steward in the organization, executives and directors are also effectively managing their careers. Similarly, managers return finance to investors to establish a good reputation thus allowing them to re–enter the market for future finance (Shleifer & Vishiny 1997). Muth & Donaldson (1998) described stewardship theory as an alternative to agency theory which offers opposing predictions about the structuring of effective boards. While most of the governance theories are economic and finance in nature, the stewardship theory is sociological and psychological.

Stewardship theory emphasizes the roles of management and expects it to see themselves as part of the firm to maximize the financial performance. Both agency and Stewardship theories discuss the relationship between the shareholders and management, while agency theory distinguishes ownership from control, stewardship theory is on the functions of management in the interest of shareholders. Stewardship theory did not give regard to other stakeholders but only emphasize the primary roles of management in the interest

of the shareholders.

Methodology

An ex post facto research design was adopted for this study. The data are extracted from annual reports and accounts of the 23 Insurance companies listed on the Nigerian Exchange Group. These designs were considered appropriate for examining the relationship between variables and the impact of one variable (independent) on another (dependent).

The population for this study consists of 45 listed insurance companies in the Nigerian Exchange Group as of 31st December 2022. The time frame for this study is between 2012 and 2022. This is a ten-year period enough to satisfy all the needs for the research. Using the descriptive sampling technique, this study selected 23 fully operational Insurance companies from 45 insurance companies that were listed on the Nigerian Stock Exchange as of 31st December 2022.

Non- A probability sampling method in the form of filtering or criterion sampling technique was used in selecting the listed insurance firms. Only insurance companies that meet the criteria of being listed on the Nigerian Exchange Group since or before the year 2012 up to the period and submit their financial statements for the period covering this study. The total listed insurance companies in Nigeria Exchange Group that are selected are twenty-three (23) in number as at 31st December 2022. The study uses a criterion sampling technique. 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 (2012 – 2022). 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. The sources of the financial statement of all the sampled firms of the study are the Nigeria stock exchange market fact book and annual report of the sampled firms from National Insurance Commission (NIC) and some of the annual reports were down loaded from the insurances' corporate websites.

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 between corporate governance and the financial performance of listed insurance companies in Nigeria are conducted using STATA as the software for the analysis.

The explanatory variables used as proxies of corporate governance are Board independence, board size, and gender diversity. The choice of explanatory variable is based on the alternative theories related to corporate governance and corporate governance variables used in previous studies conducted.

Board Independence - Measure the percentage of non–executive directors to the total board size

Board size - Measure the percentage of the total number of directors on the board

Board gender diversity – Measure the percentage of females on the board

Return on equity (ROE) – Net income ÷ Total equity

S/N	Variables	Acronym	Variable type	Justification
1	Return on Equity	ROE	Dependent	Brown & caylor(2004). Adeleye and Maiturare(2021).
2	Board Independence	BIND	Independent	Bhagat & Jeffers (2018) and Vafeas (1999)
3	Board size	BS	Independent	Zahra & pearce (1992) and Yermack (1996)
4	Gender Diversity	GD	Independent	Field & keys (2023) and Swartz & Firer (2019)

Source: Field work 2023

Model Specification and Justification for the models

This study employed a multivariate version of the econometric model. Therefore, the models designed for the study are given as:

Model 1

$ROE_{it} = \alpha + \beta_1 BIND_{it} + \beta_2 BS_{it} + \beta_3 GD_{it} + \varepsilon_{it}$-- (i)

Where:

ROE = Return on Equity (Financial Performance)
BIND = Board Independence
BS = Board size
GD = Gender diversity
α = Intercept
ε = stochastic error term.
β_1, β_2, and β_3, are the parameters to be estimated.

The a priori is such that: β_1 BIND; β_2BS; β_3 GD > 0. The implication of this is that a positive relationship or effect is expected between explanatory variables β_1 BIND; β_2 BS, β_3 GD, and the dependable variable. The size of the coefficient of correlation will assist in explaining various levels of relationship or effects between variables. The study employs secondary data from the annual or financial reports of the Insurance companies listed in the Nigerian Stock Exchange (NSE) and the estimated period for the study is 2012 to 2022, a ten-year period longer enough to make a reasonable judgment on the outcome of the model.

Result and Conclusion

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

VARIABLES	Min	Max	Mean	SD	Skewness	Kurtosis
ROA	0.24	0.85	0.55	0.227	0.506	2.94
BIND	3.97	71	37.49	16.699	0.561	2.993
BS	18.02	21.99	20.01	0.986	-0.162	2.496
GD	0.45	0.63	0.54	0.151	1.891	12.357

As indicated in table 4.1 Central Tendency (Mean): The mean provides the average value for each variable. ROA: Average return on assets is 0.55. BIND: Average board independence is 37.49. BS: The average board size is 20.01. GD: Average gender diversity is 0.54. Dispersion (Standard Deviation, Min, Max): Indicates the spread of the data. ROA has a moderate spread (SD = 0.227). BIND has a wide range (SD = 16.699), indicating high variability in board independence. BS has a low spread (SD = 0.986), indicating most values are close to the mean. GD also has a low spread (SD = 0.151), but its skewness and kurtosis suggest extreme values. Shape (Skewness, Kurtosis): Provides information about the distribution's shape. ROA and BIND are positively skewed (the right tail is longer), suggesting higher values. BS is slightly negatively skewed, indicating a distribution with a left tail longer than the right. GD has a high positive skew and kurtosis, indicating a highly peaked distribution with potential outliers on the right tail. Each variable has distinct characteristics in terms of central tendency, dispersion, and distribution shape. ROA and BIND show moderate positive skewness, while BS is fairly symmetric with a slight negative skew. GD stands out with a significant positive skew and high kurtosis, indicating the presence of extreme values.

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, the Shapiro-Wilk normality test was conducted. The results are presented in Table 4.2 as follows;

Table 2 Results of the Normality Test

VARIABLES	W	V	Z	Prob>Z
ROA	0.94935	8.538	4.969	0.00000
BIND	0.96352	6.149	4.208	0.00001
BS	0.98480	2.562	2.180	0.01462
GD	0.56907	72.637	9.930	0.00000

Source: Stata output (See Appendix for software analysis)

The variables of the study are subjected to the Shapiro-Wilk (W) test for data normality; the technique tests the null hypothesis (that the data is normal), that is, the variable came from a normally distributed population. This may have effects on the results, as most of the parametric methods of analysis including regression assumed that the data is normally distributed, even though Shao (2023) argues that the normality distribution of data has no effects on the inferential statistics, and also Gaussian theory of normality distribution of data for inferential statistics which is inconsistent with Shao (2023; 2019), the result of Shapiro wilk (W) test of normality indicates that the variable came from the abnormally distributed population.

Table .3. Correlation Matrix of the Dependent ROA

VARIABLES	ROA	BIND	BS	GD
ROA	1.0000			
BIND	-0.2382 (0.0003)	1.0000		
BS	-0.1051 (0.1118)	-0.3900 (0.0000)	1.0000	
GD	0.4076 (0.0000)	-0.2223 (0.0000)	-0.1367 (0.0382)	1.0000

P-Values in Parentheses

Source: Stata output (See Appendix for software analysis)

In this section, Table 4.3.1 presents the correlation results between predictor variables (BIND, BS, GD,) and the dependent variables (ROA) of the listed insurance firms in Nigeria. The result shows that there is a significant negative relationship between Return on asset (ROA) in the model and board independence (BIND) from the correlation coefficient of -0.2382, at a 1% level of significance, (p-value 0.0003). This result suggests that as BIND increases in the sample firms, ROA would decrease.

Also, from Table 4.3.1 the results indicate that there is a negative relationship between ROA and Board size (BS) from the correlation coefficient of -0.1051 which is not significant at all levels of significance (p-value of 0.0000). This implies that the more BS increases in the sample firms, ROA decreases but is statistically significant.

In Table 4.3.1 also the results show that there is a positive relationship between ROA and Gender diversity from the correlation coefficient of 0.4076, with a p-value of 0.0000. This suggests that the ROA of listed insurance firms in Nigeria increases with the increase of their gender diversity, which is statistically significant at a 1% level of significance.

Presentation of Regression Results and Hypotheses Testing

The classical assumption of the 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 an 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 a p-value of 0.0006 confirms the presence of the effects of heteroskedasticity, as shown in Hettest result (see appendix) 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; the Hausman Specification Test and the Breusch and Pagan Lagrangian Multiplier Test. The Hausman specification test for model 1 suggests that there are Fixed Effects in the model for the study as evidenced by the Chi^2 of 38.22 with a p-value of 0.0000 therefore fixed effect regression result is interpreted for model 1.

Similarly, The Hausman specification test for model 1 suggests that there are Fixed Effects in the model for the study as evidenced by the Chi^2 of 20.17 with a p-value of 0.0052 therefore fixed effect regression result is interpreted for model 1 regression analysis. Model 3, on the other hand, has Hausman specification test suggesting that there is no Fixed Effects in the model for the study as evidenced by the Chi^2 of 3.53 with p-value of 0.8319, therefore Breusch and Pagan Lagrangian Multiplier Test is conducted which suggest OLS-Robust regression result, as indicated that there is statistical significant difference (variances) in the panel (from the Chi^2 value of 0.00 with p-value of 1.0000) therefore OLS-Robust regression result is interpreted for model 1.

Table 4.4.1 presents the summary regression of the models (1, 2, and 3) of the study from which the hypotheses are tested.

Table 4: Regression results with ROA as Dependent Variable

Dep. Var: ROA	Coeff	Stddev	t-stat.	Prob.
BIND	-0.0038696	0.0008526	-3.79	0.000
BS	-0.024801	0.0150044	-2.55	0.011
GD	0.9044155	0.1036569	7.78	0.000
R^2				
Adj R^2				0.3782
Fstat				22.95
Fsig				0.0000
Hausman				38.22 (0.0000)

Source: Stata output (See Appendix for software analysis)

Table 4.4.1 shows the result of the regression analysis of the effects of board independence board size gender diversity and financial performance of listed insurance firms in Nigeria. The result reveals that the model is well-fitted (F-statistic = 22.95, p-value = 0.0000). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 45% of the variations observed in the dependent variable were explained by the independent variables. This was moderated by the Adjusted R-squared to 38%, indicating that there are other variables other than our explanatory variables that might also impact the dependent variable. The result shows that BIND has a negative and significant impact on the performance (ROA) of Nigerian insurance companies (BIND coefficient = -0.00387, p-value = 0.000, t-value = -3.79). The result shows that BS, has a negative but not significant effect on the performance (ROA) of Nigerian insurance companies (BS coefficient = -0.024801, p value = 0.117, t-value = -2.55).

Also, GD had a positive and significant effect on the performance (ROA) of Nigerian insurance companies (GD coefficient = 0.9044155, p value = 0.000, t-value = 7.78).

Test of Hypotheses

In this section of the chapter, the study tested the hypotheses formulated for the study; Table 4.4.1 presents the coefficients of the variables of the study from which the hypotheses are tested. The coefficients of the variables of the study are from the regression results of the models (1) used in this study.

Decision-based on stated Hypotheses with regards to ROA

The results in Table 4.4.1, show that Board independence (BIND) has a statistically significant negative impact on the ROA of listed Insurance firms in Nigeria. That is, BIND significantly decreases the ROA of listed Insurance firms in Nigeria. Thus, the null hypothesis ($H0_1$) which states that Board independence has no significant impact on the financial performance of listed insurance firms in Nigeria is rejected. The study infers that BIND has a negatively significant impact on the financial performance of the listed insurance firms in Nigeria, during the period covered by the study.

The Table also shows the Board size (BS) on the financial performance (ROA) of listed insurance firms in Nigeria is negative. That is, when BS improves ROA would affect negatively, though the result is not robust. Based on this, we lack evidence to reject the null hypothesis ($H0_2$) which states that Board size has no significant impact on the financial performance of listed insurance firms in Nigeria. Therefore, the study infers that BS has a significant negative impact on the ROA of listed insurance firms in Nigeria, during the period covered by the study.

On the contrary, the results from Table 4.4.1 show that Gender diversity (GD) has a significant positive impact on the financial performance of insurance firms in Nigeria. This suggests that the higher the GD of the firm the higher the ROA of

IGWEBUIKE: An African Journal of Arts and Humanities. Vol. 10. No. 2, (2024)
ISSN: 2488- 9210 (Print) 2504-9038 (Online)
Department of Philosophy and Religious Studies, Tansian University, Umunya

listed insurance firms in Nigeria during the period of the study. Based on this, the study rejected the null hypothesis ($H0_3$) which states that Gender diversity has no significant impact on financial performance of insurance firms in Nigeria.

Discussion of Results

In the methodology of this study ROA, was used as proxies for financial performance. The analysis of both models (1, 2 and 3) using fixed and random effect regression in confirming the effect of board independence, board size, 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 a positive relationship between board size and the financial performance of Insurance companies in Nigeria using ROA as the dependent variable.

Inferential results further revealed that gender diversity also has a positive effect on the financial performance of Nigerian Insurance companies used as a measure of financial performance.

Based on the key findings of this research, the study concludes that: Board independence hurts the financial performance of listed Insurance companies in Nigeria Board size has a positive effect on the financial performance of listed Insurance companies in Nigeria as revealed. Gender diversity also has a positive effect on the financial performance of listed Insurance companies in Nigeria as explained by the model. Overall the study concluded that there is a significant effect of corporate governance on the financial performance of listed insurance companies in Nigeria.

Good corporate governance practices significantly impact a firm's performance in the Nigerian insurance company. To ensure good corporate governance practices amongst insurance firms in Nigeria, the following recommendations were put forward.

i. 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 stakeholders' confidence in the industry and thereby attract positive investment flows into the Insurance market.
ii. Board size, Gender diversity, and Leadership structure, all having positive effects on the financial performance of listed insurance companies within the period of study should be constantly checked and monitored, to avoid negative impacts on the financial performance of listed insurance companies in Nigeria.
iii. All Insurance companies in Nigeria should adhere strictly to the codes of

good corporate governance and ensure that they collaborate with the various stakeholders in the industry to improve the performance and growth of the insurance firms in Nigeria.

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