

Board Independence, Expertise, Foreign Board Member and Financial Performance of Listed Insurance Firms in Nigeria

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Abstract

Most studies on board independence, board expertise, foreign board members and financial performance in Nigeria and other parts of the world showed different results with some showing positive, negative and mixed results. This study 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. The study therefore, recommend that regulators must ensure that competent independent board members are well represented in the board of directors, and insurance companies should adhere strictly to the corporate governance code of conduct as it affects board expertise and foreign board members so to improve the quality of financial performance.

Keywords: Board independence, Board expertise, foreign board member, Firm Size, Leverage, Financial Performance.

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Introduction

Insurance has remained the most ingenious creation of the human mind in response to the problem of risk and uncertainty. The reason is insurance plays a significant role in economic growth by contributing to the growth of the asset base in the economy through insurance savings which transform to investments (Najjar, 2013). The insurance firms provide unique financial services for the growth and development of every economy. These specialized financial services include the underwriting of risks inherent in economic entities and the mobilization of large amount of funds through premiums for long term investments. The risk absorption role of insurance firms promotes financial stability in the financial markets and provides hedge to economic entities. The ability of insurance firms to cover risk in the economy depends on their ability to make profit or create value for the shareholders. As such well developed and profitable insurance industry is a boom for economic development as it provides long- term funds for development (Charitou, Louca, & Vafeas, 2007; Effiok, Effiong & Usoro 2012; and Duchin, Matsusaka. & Ozbas, 2010).

Corporate governance is recognized by the business entities, regulators and capital market participants as a fundamental driver of corporate performance. Corporate governance is thus framed to perform a system of supervision that uses techniques like board structure, such as board independence, duality and board size to provide shareholders with the necessary information necessary to hold management liable for their decisions (Effiok et al, 2012). In November 2003 a code of corporate governance was developed, which is a specific set of recommendations on how to promote board independence, board expertise, foreign board member and other board characteristics variables.

Financial performance is a measure of an organization's earnings, profits, appreciations in value as evidenced by the rise in the entity's share price. In insurance, performance is normally expressed in net premiums earned, profitability from underwriting activities, annual turnover, returns on asset, returns on investment and return on equity. These measures can be classified as profit performance measures and investment performance measures. Profit performance includes the profits measured in monetary terms. Simply, it is the difference between the revenues and expenses. These two factors, revenue and expenditure can be influenced by the corporate governance structure.

Although a number of studies have been carried out on board independence, expertise and foreign board directors and financial performance in Nigeria and other parts of the world but they show different results with some showing positive, negative and mixed results. And most of the studies make no attempt to combine board independence, board expertise and foreign board member and examine their relationship with financial performance in a single study. For example, the study of Adesanmia, Sanyaolua, Isiakaa & Fadipea (2019) was on banks and cannot be generalized on insurance firms. While Egwakhe, Akpan, & Ajayi, (2019) did not use all the variables of this study. The study of Foluso & Lateef (2017) was between 2011 and 2015 which makes this study more current than their own. Likewise, the study of Miletkov, Poulsen & Wintoki (2017) cannot be generalized for Nigerian firms as a result of differences in economic and business

environment. Garba & Abubakar (2014) did not consider all the variables in this study. In addition, the studies of Adenikinju & Ayorinde (2001) and that of Sanda, Mikailu. & Garba (2005) suffer an important limitation as they make no attempt to examine the relationship between board independence, board expertise and foreign board member and corporate financial performance. They also employed a narrow set of measures of board independence, board expertise and foreign board member reporting no significant relationship between the variables and firm performance making the second limitation of their study. By employing a wider set of variables serving as measures of board independence, board expertise and foreign board member and using a more recent Nigerian data set of insurance firms, this study extends the understanding of the relationship between board independence, board expertise and foreign board member and financial performance of insurance firms in Nigeria for a period of 10 years (2008 – 2017).

The study examined the effect of board independence, board expertise and foreign board Member on the financial performance of listed insurance firms in Nigeria. Therefore, the question begging for answer is what is the effect of board independence, board expertise and foreign board member on the financial performance of listed insurance firms in Nigeria? In line with the above research question and objective, the study hypothesized in null form that, board independence, board expertise and foreign board member have no significant effect on the financial performance (measured by ROA and ROE) of listed insurance firms in Nigeria.

This study will be of immense benefit to insurance regulators, investors, academics and other relevant stakeholders. This study provides a picture of where insurance companies stand in relation to the board independence and financial performance of insurance firms as well as on code and principles of corporate governance introduced by the National Insurance Commission (NAICOM). To customers and investors, they would be confident that there is board independence in place can be relied upon for yielding the maximum returns on their investments. It further provides an insight into the degree to which insurance companies are complying with the different sections of the codes of best practice and where they are experiencing difficulties. Management will find this study of value in benchmarking the performance of their insurance companies, against industry performance. The result of this study will also serve as a reference material for further researchers in this field of corporate governance.

Literature Review

This section reviewed related literature to the study. It deals with conceptual review, theoretical review and empirical review. The study explains the following concepts as they are used in this study: board independence, expertise, foreign board of director member and financial performance.

Board independence is the mix of executive and non-executive directors constituting a firm's board. The proportion of the directors on the board would to a large extent determine the quality of decisions taken since objectivity would play a crucial role and whether the board independence can actually monitor and control the management. A board is seen to be more independent if it has more non-executive directors (Schwizer,

Soana & Cucinelli, 2012). Non-executive directors are more familiar with the activities of the organization and are therefore, in a better position to monitor top management particularly if they perceived the opportunity to be promoted to positions occupied by incompetent executives. Similarly, non-executive directors may act as “professional referees” to ensure that competition among executive directors stimulates actions consistent with shareholder value maximization (Fama, 1980).

Board expertise has to do with the number of directors on the board with professional skills in the area of accounting, finance, management and insurance. Recadina & Ouma (2017) refer to it as the proportion of people with professional skills on the board of an organization while from the view point of Rose, 2015 it is different fields of study found among the persons on the board. While for Setiyono and Tarazi (2014), it is heterogeneous based on the levels and types of education amongst the board members.

Foreign boards of director members refer to members on the board of a firm who are not citizens of the home country of the firm. It refers to any person who occupies a position in board of directors whose particulars in the firm show that he is a citizen of another country other the home country of the firm. A foreign director is any person who holds employment, whose address, as shown in the register of the certificate of incorporation, in which the particulars of his appointment is documented in a place, state or country outside Nigeria or external territories. A number of studies (Azmi & Barrett, 2013; Chahine & Tohme, 2009) showed that the presence of foreign directors could enhance performance most especially if the foreign director’s requisite skills, expertise, experience and ideas are used effectively and efficiently. Also the contribution of foreign board directors is not only restricted to financial contributions, but also include the provision of non-financial resources as well as technical collaborations which can also improve the quality of decision making and hence financial performance of the firm

Financial performance measures the results of a firm’s policies and operations in monetary terms. Financial performance is a subjective measure of the accountability of an entity for the results of its policies, operations and activities quantified for an identified period in financial terms. There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. The financial performance measures include, Return on Asset (ROA) which is defined as net income before interest expense for the fiscal period divided by total assets for that same period and Return on equity (ROE) which shows how much profit a company generates from the money invested from its shareholders (Foladi, 2012). For this study, ROA and ROE are used as measures of financial performance of the selected listed insurance firms in Nigeria.

Most studies on board independence, board expertise and foreign directors and financial performance in Nigeria and other parts of the world show different results with some showing positive, negative and mixed results as discussed in this section. Adesanmia, Sanyaolua, Isiakaa & Fadipea (2019) found that the pooled Ordinary Least Square regression results show that board independence positively affect the financial performance in Nigeria. This study was on banks and as such cannot be generalized on insurance firms and hence justify this study. The study period was 2008 to 2017 as well.

Foluso & Lateef (2017) reported that the OLS regression result ascertains a negative relationship between board independence financial performance (ROE) of quoted insurance companies in Nigeria between 2009 and 2015. The study of Ibe, Ugwuanyi & Okanya (2017) showed that the result of the fixed effect econometric estimates showed that, board independence has a positive and significant impact on Return on Assets (ROA) and foreign director did not make significant impact on the financial performance of Nigerian insurance companies from 2011 to 2015. Considering the study period there is the need for further study.

Christine (2017) revealed that the regression analysis showed a positive relationship between ROA and board independence from 2008 to 2014. On their part Sanda, Garba & Mikailu (2008) studied the relationship between corporate board independence and firm financial performance in Nigeria. The descriptive and the regression analysis results show that foreign chief executive perform better than their local counterparts. Ahmadu, Tukur & Aminu (2011) examines Board Independence and Firm Financial Performance in Nigeria using data of varying sample size (ranging from 89 firms for regression to 205 firms for descriptive analysis) obtained from the Nigerian Stock Exchange for the period 1996 through 2004. The key result was that board independence was positively related to financial performance listed firms in Nigeria. The major setback of the study lies in the mixed up in the variable definition.

.On board expertise and financial performance, Egwakhe, Akpan, & Ajayi (2019) Showed that the Cronbach's alpha reliability coefficients descriptive statistics and Pearson Product Moment Correlation Coefficient Technique 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 Nwonyuku (2016) concluded that board composition has negative relationship with return on equity while board expertise and competence has negative relationship with return on equity and net assets per share.

Bonsa (2015) using panel data from Ethiopian of nine insurance companies from 2005 to 2014, showed that the fixed effect regression results revealed that, expertise has positive and significant effects on financial performance (ROA) of Insurers. Bonsa used only one performance measure and so cannot be compared with the present study that has two financial performance measures: ROA and ROE. The study of Mike and Wei (2014) found that board expertise have a beneficial influence on the performance outcomes of insurers. Bernadette, Jérôme and Rohan (2014) examined financial expertise of the board and financial performance of Insurance Companies in US for the crisis period 2007–2008. While financial expertise is weakly associated with better performance before the crisis, it is strongly related to lower performance during the crisis. Tornyeva et al. (2012) revealed that the regression result showed that, expertise and board meeting are positively associated with the financial performance of insurance companies in Ghana. Kaguri (2013) conducted a study on the effect of firm characteristics on financial performance of life insurance companies in Kenya. Secondary data of 17 life insurance companies over the period of 2008-2012 was obtained and the data collected was analyzed using SPSS. The regression analysis result indicated that financial expertise and experience are statistically significance to influencing financial performance of life insurance companies as indicated by the positive and strong Pearson correlation coefficients. This implies that

there is the presence of more financial expert on the board which has translated to financial performance.

However, on foreign directors and financial performance Miletkov, Poulsen & Wintoki (2017), found no statistically significant relation between foreign independent director and firm financial performance and also reported a statistically negative relation in countries that have higher quality legal institutions and more positive (less negative) relation if the foreign independent directors are from countries that have higher quality legal institutions than the firm' country. While, Hahn & Lasfer (2016) demonstrated that foreign non-executive board member leads to the firm have to have fewer board meetings, hence increase the agency conflict due to the reducing monitoring and advisory role of board of directors. Therefore, the overall effect of foreign non-executive board members on firm financial performance namely shareholders return is negative. The study of Peck-Ling, Nai-Chiek & Chee-Seong (2016) showed that the increase in foreign directors on board has significantly improved firms return on equity (ROE) of Malaysian firms. Garba & Abubakar (2014) using ROA, ROE and TOBIN Q as financial performance proxies investigated the relationship between board diversity and financial performance of 12 listed insurance companies in Nigeria from 2004 to 2009. The Feasible Generalised Least Squares (FGLS) and random effects estimators showed that foreign directors have a positive influence on insurance financial performance (ROA, ROE and TOBIN Q). The conflicting results in the studies of Ibe, Ugwuanyi & Okanya (2017) and Garba & Abubakar (2014) shows that there is the need for further study in the area of foreign directors and insurance firm performance in Nigeria and hence gave rise for further study as this one.

Masulis, et al (2012) used American firm data and suggested that foreign independent directors brought both benefits and costs to firms. That is value is added through their international expertise and negotiation skills especially in cross-border acquisitions when targets are from the home regions of foreign director while their oversea location leads to monitoring deficiencies. Miletkov, Poulsen & Wintoki (2012) found that foreign independent directors is significantly negatively associated with ROA and also found negative significance between the presence of a foreign independent directors and firm performance in developed nations but more negative significance in less developed countries. This implied that the presence of foreign directors on the board of a firm might not enhance performance since performance can be influence by quite a number of issues ranging from the type of firm, economy, and as well as the foreign directors commitment to the firm and their remuneration.

Ujunwa, (2011) examined the impact of board characteristics on firm performance in Nigeria (insurance, banking, manufacturing and oil and gas). The Generalised Least Square (GLS) Fixed-Effects and Random-Effects models results showed that foreign board membership is positively and significantly associated with firm financial performance as proxy by return on assets employed. This reveals that foreign board members bring with them cross-border experience in corporate management which improves firm performance. While Sanda, Garba & Mikailu, (2008) found that foreign chief executive perform better than their local counterparts. The empirical results of the studies show mixed findings and hence justify the need for further investigations. This is one of the motivations for this study

The Theories underpinning this study are the agency theory and stewardship theory. This is in support of the belief that independent boards would enhance shareholder returns as provided by agency theory (Cotter & Silverster, 2003). A central assumption of the theory is that managers may pursue their own goals rather than seek to maximise shareholder wealth, unless their discretion is kept in check by a vigilant, independent board (Jensen & Meckling, 1976; Coles, Daniel & Naveen, 2008). By emphasizing the potential for divergence of interests between investors and managers, most empirical research in corporate governance assume that, where board of directors is more independent of management, company performance would be higher.

The stewardship theory highlights a range of non-financial motives for managerial behaviours, such as the need for achievement, intrinsic satisfaction of successful performance, and respect for authority and work ethics, which have been identified in the organizational literature. Having control empowers managers to maximize corporate profits; the detailed operational knowledge, expertise and commitment to the firm by executive directors would make firms with a management-dominated board more profitable (Davidson & Rowe, 2004). This prediction is tested in a number of studies (Randoy & Jensen, 2004). According to organizational portfolio theory proposed by Dimitropoulos & Asteriou (2010), an increase in corporate profitability would enhance the perceived integrity and competence of managers, thereby precipitating boards in which managers are increasingly represented. Poor performance would lead to boards that are more independent of management; the risk-averse governance delivered by independent directors would prevent long-term growth and profitability, thus leading to a gradual decline in organizational performance. This theory has received little attention from academics, and therefore yet to be tested.

Methodology

The study was descriptive in nature. The population of the study is all the 26 listed insurance firms in the Nigeria Stock Exchange as at 2008 and remains in operation through 2017. In selecting the sample size, the study relied on the insurance firms that have complete annual report and accounts that cover the period of the study. Using this caveat as our filter, a total of 17 listed insurance firms were selected which represent 65% of the population as shown in Table 1.

Table 1. List of Sample size of the study

S/No	Insurance Companies	Date of Incorporation	Date Listed
1.	African Alliance Insurance Plc.	1960	2003
2.	Cornerstone Insurance Plc.	1991	1997
3.	Equity Assurance Plc.	1993	2008
4.	Consolidated Hallmark Ins Plc	1991	2008
5.	Leadway Assurance Plc	1969	2008
6.	Law Union & Rock Ins. Plc.	1969	1990
7.	Linkage Assurance Plc.	1991	2003
8.	Axamansard Insurance Plc.	1989	1998
9.	Mutual Benefit Assurance Plc.	1995	2002

10.	N.E.M Insurance Nigeria Plc.	1970	1990
11.	Niger Insurance Company Plc.	1962	1993
12.	Prestige Assurance Plc.	1970	1990
13.	Regency Alliance Insurance Plc.	1993	2008
14.	Royal Exchange Insurance Plc.	1980	2006
15.	Standard Alliance Insurance Plc.	1981	2003
16.	Guinea Assurance Plc.	2002	2006
17.	Universal Insurance Plc	1961	2008

Source: Nigerian Stock Exchange, 2017

Data for the period 2008 to 2017 were obtained from the offices of the Nigerian Stock Exchange, the Security and Exchange Commission and from the annual reports and accounts of the study insurance firms. The choice of this period was informed by the fact that annual reports of the selected insurance firms were available since the annual reports are the sources of data for the study variables.

The study utilized multiple regression analysis. Given that the data had both spatial and temporal dimensions, ordinary least squares (OLS) was regarded as inappropriate, necessitating the adoption of the fixed-effects regression. According to Yermack (1996) the fixed-effects framework represents a common, unbiased method of controlling for omitted variables in a panel data set. The study utilized 2 models.

$$ROA_{it} = b_0_{it} + b_1BOIND_{it} + b_2BODEXP_{it} + b_3FBODM_{it} + b_4FSIZE_{it} + b_5LEV_{it} + b_6GROWTH_{it} + b_7MKTV_{it} + e_{it} \dots\dots\dots 1$$

$$ROE_{it} = b_0_{it} + b_1BOIND_{it} + b_2BODEXP_{it} + b_3FBODM_{it} + b_4FSIZE_{it} + b_5LEV_{it} + b_6GROWTH_{it} + b_7MKTV_{it} + e_{it} \dots\dots\dots 2$$

There are two categories of variables for this study. The first category is the measures of firm performance: ROA and ROE, while the second are measures of board independence, expertise, foreign board member and the control variables of the study as presented in Table 2.

Table 2. Variables Definition and Measurement

Definition	Variable	Measurement	Source
ROA	Return on Assets	Obtained by expressing net profit before tax as a proportion of total assets	Ibe, Ugwuanyi & Okanya,(2017) and Christine (2017)
ROE	Return on Equity	Obtained by computing net profit after tax as a proportion paid in equity.	Peck-Ling, Nai-Chiek & Chee-Seong (2016) and Garba & Abubakar (2014)
BOIND	Board Independence	Measured as the total number of outside directors at the board	Schwizer, Soana & Cucinelli (2012)

Definition	Variable	Measurement	Source
BODEXP	Board Expertise	Measured as the number directors experts in accounting, finance, insurance and other related field in the board	Recadina & Ouma (2017) and Setiyono & Tarazi (2014)
FBODM	Foreign Board Director Member	Proportion of foreign directors on the board in relation to total member of the board directors on the board	Azmi & Barrett, (2013) and Chahine & Tohme, (2009)
FSIZE	Firm Size	Measured as log of total Assets	Lehn et 2003
LEV	Leverage	Measured as Total debt/total asset)	Kyereboah-Coleman, 2007 and Alsaeed, 2006.
GROWTH	Growth	Change in revenue at time t.	Otuya and Ofeimun 2017
MKTV	Market Value	Market value: Measured as total equity/total asset	Ebere, Ibanichuka & Ogbonna (2016);

Source: Compiled by the Researcher, 2017

Result and Discussion

This section presents descriptive statistics, regression and test of hypotheses results of the study.

The descriptive result of the study is presented in Table 3. The table combines the two dependent variables, independent and control variables of the study.

Table 3. Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
ROA	0.0272202	0.0705553	-0.25961	0.22284	-1.9447998	6.078152
ROE	0.147947	0.078339	-0.415886	0.248855	-1.626384	10.01472
BODIND	1.629412	0.7119144	1	5	1.264484	5.681202
MEXPTS	4.947059	1.411121	2	9	0.6768507	3.337314
FORGN	1.794118	1.413783	1	8	2.005879	6.527595
FIRM SIZ	7.263883	0.680907	6.572719	9.972819	2.775018	10.78527
LEV	0.5000463	0.5338442	0.71833	6.971259	10.56204	128.5585
GROWTH	0.3329412	4.34	-5.98992	5.66092	12.92308	168.0059
MKTV	0.9114143	4.842308	0.018424	63.63058	12.89188	167.4722

Source: Stata 12 Output

Table 3 shows that ROA and ROE produced the mean value of approximately 0.027 and 0.1479 with their corresponding standard deviation of 0.0705 and 0.0783 respectively. The above results connote that the explanatory variable bear little to the predictor variables given the low spread of the data. Their minimum values of -0.259 and -0.4159 and maximum values of 0.2228 and 0.249 respectively further substantiate the

low contribution to the spread. Similarly, the mean value of board independent, board and foreign board members are 1.629 and 4.947 with their standard deviation of 0.7119 and 1.4111 showed that they are relatively spread across the firms under consideration. The minimum and maximum values are: 1, 2, and 5, and 9 respectively show the presence of independent board, board expertise and foreign directors across the sample of the study. On the control variables, firm size, leverage, growth and market value produces mean value of 7.264, 0.5000, 0.3329 and 0.9114 with their corresponding standard deviation of 0.6809, 0.5338, 4.34 and 4.8423 respectively. Their maximum and minimum values are of 6.57, 0.718, -5.989, 0.0284 and 9.9728, 6.9712, 5.6609 and 63.6306. The large mean value of firm size shows that the listed insurance firms under observation are of various sizes. The large value of Skewness and kurtosis suggest that the data are relatively not normal.

Table 4. Regression Result

Variable	Model 1 (OLS) (ROA)			Model 2 (OLS) (ROE)		
	Coef.	t-val	p-v	Coef	t-val	p-val
Constant	-0.004	-0.08	0.940	-0.020	-0.31	0.760
BIND	-0.014	-1.99	0.048	-0.014	-1.75	0.082
MEXPTS	-0.010	-2.69	0.008	-0.009	-2.14	0.034
FORGN	0.0106	2.83	0.005	0.008	2.07	0.029
FSIZE	0.121	1.57	0.119	0.0124	-1.42	0.158
LEV	-0.041	0.43	0.669	-0.002	-0.14	0.892
GROWTH	4.7211	0.39	0.697	6.821	0.50	0.621
MKTV	0.001	0.86	0.389	-0.001	-0.69	0.488
R			0.1373			0.0924
R2			0.1000			0.0531
Prob			0.0010			0.0257
Fstat			3.68			2.35

Source: Stata 12 output

The regression results in Table 1 shows that in model 1, the study run the panel regression test by conducting both fixed and random effect test. However, the xttest0 (Lagrangian multiplier test for random effects) test of 0.0000 which is statistically significant favours OLS. In addition, hettest (Breush-pagan) of 0.2290 results show the absence of heteroscedasticity (Appendix 1) and as such justified the condition of OLS. Hence, the result of OLS was presented in the above table. The table also revealed that r and r^2 account for 0.1373 and 0.10000 and significant at p-val of 0.000 showing the extent of fitness of the model. The fstat value of 3.68 further substantiates this result. The remaining fractions are outside this study which is not captured in the model. Such factors include firm-specific variable, political factors and industry characteristics. Similarly in model 2, the result of panel regression favour OLS mode and it shows that the r^2 and adj r^2 were 0.09723 and 0.0253 respectively showing the extent of the fitness of the model with over all p.val of 0.0257 which is significant at 1% significant level.

The hypotheses were designed estimate whether there is significance relationship between firm financial performance and board independence, board expertise and foreign members at the board. The regression results shows that board independence has a coefficient of -0.014, t-val of -1.99 and p-val of 0.048 which is statistically significant at 5% significant level. This result led to the rejection of the claimed that board independence has no effect on the financial performance of listed insurance firms in Nigeria. Therefore, this study failed to accept the null hypothesis which states that board independence has no significant effect on the financial performance of listed insurance firms in Nigeria as measured by the return on asset.

Also, the board expertise has a coefficient of -0.010, t-val of -2.69 and p-val of 0.008 which is statistically significant at 5% significant level. Therefore, this study failed to accept the null hypothesis which states that board expertise has no significant effect of the financial performance of listed insurance firms measured by return on asset. In a likewise manner, foreign board member produced a coefficient of 0.0106, t-val of 2.83 and p-val of 0.005 which is significant at 5% significant level. Hence the null hypothesis is hereby rejected.

Similarly, using return on asset as a measure of performance, board independence has a coefficient of -0.014, t-val of -1.75 and p-val of 0.082 which is statistically not significant at all level of significance. Hence, the study failed to reject the null hypothesis which state that board independence has significant effect on the financial performance of listed insurance firms measured by return on equity. However, board expertise has a coefficient of -0.009, t-val of -2.14 and p-val of 0.034 which is statistically significant at 5% significance level. Therefore, the study failed to accept the null hypothesis that board expertise has no significant effect on the financial performance of listed insurance firms measured by return on equity. Similarly, foreign board member has a coefficient of 0.008, t-val of 2.07 and p-val of 0.029 which is statistically significant at 5% significance level. Therefore, the study failed to accept the null hypothesis which states that foreign board member has no significant effect on the financial performance of listed insurance firms in Nigeria measured by return on equity.

Discussion of Findings

From the above panel regression result presented the following salient findings emerge. First, it was observed that using return on asset as a measured of performance, board independence, board expertise and foreign board members have significant effect on the performance of listed insurance firms in Nigeria. Similar findings have been reached by the studies of Christine (2017) and Ibe, Ugwuanyi & Okanya (2017). Although, there are few other studies that produced contrary findings such as _Ahmadu, Tukur & Aminu (2011).

Secondly, taking return on equity as a measure of performance, board independence was found not to be statistically significant while board expertise and foreign board members were found to have statistical effect on the financial performance of listed insurance firms in Nigeria. Christine (2017), Ibe, Ugwuanyi & Okanya (2017) and Ahmadu, Tukur & Aminu (2011) reach similar conclusion while that of Foluso & Lateef (2017) reported contrary opinion.

Conclusion and Recommendations

The examined the effect of board independence, board expertise and foreign board members on the performance of listed insurance firms on the floor of Nigeria. The role of insurance firm in mitigating the risk inherent in the conduct of business cannot be under estimated. Therefore, the need to assess the effect of governance structure viz-a-viz board independence, board expertise and foreign board members in relation to financial performance becomes very paramount.

The study used triple explanatory variable, board independence, board expertise and foreign board members to assess their effects on two different measures (return on assets and return on equity) of financial performance of listed insurance on Nigeria Stock Exchange. The findings indicated that the explanatory variables influence ROA and ROE of insurance firms in Nigeria. Based on the findings of this study, it is concluded that there is strong influence of explanatory variables on the financial performance of insurance firms in Nigeria using ROA and ROE. The study therefore, recommend that regulators must ensure that competent independent board members are well represented in the board of directors, and insurance companies should adhere strictly to the corporate governance code of conduct as it affects board expertise and foreign board members so to improve the quality of financial performance.

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