

EFFECT OF BOARD ATTRIBUTES ON FINANCIAL PERFORMANCE OF LISTED INSURANCE COMPANIES IN NIGERIA

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Abstract

The continuous failure of companies around the world as a result of adverse strategic decisions made by the board, which had consequently affected the financial strength of companies, has raised questions on the effectiveness of board of directors. Therefore, this study examined the effect of board attributes on financial performance of listed insurance companies in Nigeria. The population of the study consists of thirty-four (34) listed insurance companies on the Nigerian Stock Exchange as at 31st December 2018 while twenty-three companies were used as sample due to the incomplete annual reports of some insurance companies. Random-effect regression analysis was employed in analyzing the secondary data obtained from the annual reports of the sampled companies for the period 2013-2018. The study found that board remuneration has significant negative effect on financial performance of listed insurance companies in Nigeria at 95% confidence level (p-value of 0.031) while board gender diversity has significant positive effect (p-value of 0.002) on financial performance of listed insurance companies in Nigeria. Therefore, this study concluded that board attributes have significant effect on financial performance of listed insurance companies in Nigeria. The study recommends that women should be given more consideration in board composition.

Keywords: Corporate governance; Financial performance; Board gender diversity; Board remuneration; Insurance

INTRODUCTION

The board of directors is one of the important mechanisms of corporate governance saddled with the responsibility of monitoring and controlling the activities of the management and ensuring effective utilization of firm's resources through better strategic decision to maximize shareholders' wealth. The board also oversees the sourcing of finance as well as the effective utilization of the fund raised in worthwhile projects that will enhance shareholders' wealth maximization (Khalid & Rehman, 2014). However, the persistent failure of companies (such as the cases of Enron in the United States of America in 2001, WorldCom in 2002, Xerox in 2001, Parmalat in Italy in 2003, Ahold and Tyco in Europe in 2002) around the globe has raised question on the effectiveness of the board of directors.

Nigeria has also experienced the menace of weak corporate governance (Board of Directors) as evident from the cases of Cadbury Nigeria Plc. in 2006 in the manufacturing industry; Afribank Plc. in 2009; Intercontinental Bank Plc. in 2009, Oceanic Bank plc in 2009 and the recent case of Skye Bank Plc. in 2018 in the banking industry; Acen Insurance Plc. in 2008; Amicable Insurance in 2008; Baico Insurance Plc. in 2008; Sun Insurance Plc. in 2008; Confidence Insurance Plc. in 2012; Crusader Insurance in 2013; Oasis Insurance in 2014; among others. The consequential effect of these calamities are loss of investors resulting to loss of capital market share, as well as loss of public confidence in investing in companies with poor corporate governance structure. The weaknesses of board of directors have not only led to inability of corporate firms to meet the expectations of their various stakeholders but also reduced firm value, hence, enormous financial losses. This has been attributed to the poor strategic decisions made by the board of directors of various organizations (Olajide, 2013).

In responding to these problems, regulatory authorities in different parts of the world have formulated and revised their various Codes of Corporate Governance in order to ensure effective corporate practices. For instance, in the United States of America, Sarbanes-Oxley Act was enacted in 2002 in order to regulate the publicly quoted companies such as the failed Enron and WorldCom. In addition, there were the revisions of United Kingdom Codes of Corporate Governance (2010), Kenyan Codes of Corporate Governance (2012) among others. Different studies (Kiran, 2014; Narwal & Jindal, 2015; Irean, Chan & Rozaimah, 2017; Handa, 2018) had examined the effect of various attributes such as board size, board composition, board meeting, board diversity, board remuneration on financial performance. This study focused on board remuneration and board gender diversity.

Inadequate remuneration of the directors could contribute greatly to these problems. It is observed that directors always awarded better reward (salaries) to themselves despite the company making small profit. When directors receive better rewards (in form of salary and other compensation), they would decide to ignore any irregularities in the reported profits, thereby reducing the long term survival of the firm, hence loss of shareholders' wealth (Miyianda, Oirere & Miyogo, 2012; Yatim, 2013; Narwal & Jindal, 2015). More so, boards with gender diversity tend to be more open to conflict of interest, thereby leading to slow decision making which could make the board to be less effective and make wrong investment decisions that could affect the returns of the company adversely. It has also been argued that women are known to be risk averters, have high rate of absenteeism and their views are mostly marginalized. The case of Bunmi Oni in the Cadbury Nigeria Plc. saga is an example (Christiansen, Lin, Pereira, Topalova & Turk, 2016; Sumedrea, 2016).

Different studies (Adekunle, 2014; Mudashiru, Bakare, Babatunde & Ishame, 2014; Huiting, 2014; Sumedrea, 2016) have been carried out on the effect of corporate governance on financial performance of firms. These studies have reported mixed results ranging from positive, negative and no correlation results. Moreover, a very large number of these studies have used return on asset, profit margin and return on equity to proxy financial performance. This study therefore measures financial performance using market to book value ratio. The market to book ratio is used by investors to show the market's perception of a particular stock's value. Hence, this study examined the effect of board characteristics on financial performance of listed insurance companies in Nigeria. The following specific objectives are spelt out:

- i. to examine the extent to which board remuneration affects the financial performance of listed insurance companies in Nigeria.
- ii. to assess the effect of board gender diversity on the financial performance of listed insurance companies in Nigeria.

Based on these specific objectives, the following hypotheses were formulated and tested:

H₀₁: Board remuneration has no significant effect on financial performance of listed insurance companies in Nigeria.

H₀₂: Gender diversity has no significant effect on the financial performance of listed insurance companies in Nigeria.

LITERATURE REVIEW

Corporate Governance and Board Characteristics

Corporate governance has been viewed in different ways by different scholars in order to suite their respective work. This is attributed to the differences in countries code of corporate governance framework and cultural situation of the country under consideration. The organization for Economic Corporation and Development (OECD) defines corporate governance as “the principles that involves a set of relationship between a company’s management, board, shareholders and other stakeholders, as well as providing the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”. Cadbury Committee Report (1998) also defines the term corporate governance as the system by which companies are directed and controlled. In simple term, it defines the legal, ethical and moral value of a corporation in order to safeguard the interest of its stakeholders.

Therefore, it could be deduced from the definitions above that the term corporate governance refers to the set of rules and regulations that ensure effective relationship among the company’s management, its board, shareholders and other stakeholders which ensure that the objectives of the company are achieved as well as monitoring the performance of the company’s management. Good corporate governance can help to prevent corporate scandals, fraud and potential civil and criminal liability of companies. Effective corporate governance also enhances the image and reputation of a company as well as making it more attractive to investors, suppliers, customers and other stakeholders of the company (Todorovic, 2013). The structure of company’s corporate governance determines distribution of rights and responsibilities between various actors in the company such as boards, managers, shareholders and other stakeholders, and lay rules and procedures for making corporate decisions. Therefore, sound corporate governance practices help companies to improve their performance and attract investment while enabling them to realize their corporate objectives, protect shareholders’ rights, meet legal requirements, and demonstrate to the members of the public how they conduct their business activities.

In ensuring that a company has effective corporate governance in place, it must comprise some parties. The parties involved in ensuring effective corporate governance are the board of directors; shareholders; audit committee; chief executive officer and the management (Nigerian code of corporate Governance, 2016). Hence, one of the effective ways of ensuring effective corporate governance is through the establishment of board of directors. The board of directors has the responsibility of ensuring that corporate behavior conforms to best corporate governance practices. This requires directors to exhibit certain behavioral forms such as informed and deliberative decision-making, division of authority, effective monitoring of management and even handed performance of duties owed to the company and shareholders (Dar, et al, 2011).

The board is accountable and responsible for the performance and affairs of the company; define company strategic goals and ensure that its human and financial resources are effectively deployed towards attaining those goals (Nigerian Code of Corporate Governance, 2016). More so, the board must also ensure good corporate governance by ensuring that the company carries on its business in accordance with its Articles of Association and Memorandum of Association as well as ensuring conformity with the laws of the country, observing the highest ethical standards on an environmentally sustainable basis. Therefore, for the board to perform these duties effectively, the board of directors must possess some characteristics such as adequate board size, board independence, board competence, gender diversity, effective remuneration,

audit committee, board meeting, board structure and multiple directorships (Azutoru, Obinne & Chinelo, 2017). Hence, this study focused on directors' remuneration, board size and gender diversity.

Director's Remuneration

Director's remuneration refers to the payment made for services or employment of directors on the board of company or corporation (Mohammed, Abdullahi & Masuod, 2009). They further explained that the directors' remuneration includes the basic salary and other monetary and non-monetary benefits of the executive and directors' fees, and sitting allowance paid to the non-executive directors in a financial year. The financial crisis in the last two decades has made different regulatory authorities in different countries to regulate the remuneration and incentives systems of the board of directors. For instance, Greenbury Report (1995) in the United Kingdom was used to regulate the compensation of the board of directors in the United Kingdom. Sarbanes-Oxley Act (2002) was enacted to deal with the issue of corporate compensation in response to corporate scandals (such as Enron and WorldCom) in the United States.

In Nigeria, the code of corporate Governance (2016) also regulates the components of directors' remuneration. The code states that the level of remuneration should be sufficient to attract, motivate and retain skilled and qualified persons needed to run the company successfully. However, the code of corporate governance for banks and discount houses in Nigeria (2014) states that, financial institutions shall align executive and board remuneration with long-term interests of the company and its shareholders and where remuneration is linked to performance, it shall be designed in such a way as to prevent excessive risk taking.

Lee, Leu and Yeo (2005) and Khalid and Rehman (2014) opined that increase in remuneration of the board of directors leads to better efficiency of a company because companies with higher pay scales attract exceptionally talented board members that positively influence the company's performance. In contrast, it has been criticized that high levels of directors' compensation may compel directors to turn a blind eye to irregularities as well as making wrong decision that will affect the performance of the firm adversely. (Khalid & Rehman, 2014; Ruperalia & Njuguna, 2016).

Board Gender Diversity

Another characteristic of corporate governance that may affect financial performance is board gender diversity. Board gender diversity refers to the presence of female directors in the corporate board of directors (Dutta & Bose, 2007; Campbell & Minguez-Vera, 2008; Ekadah & Mboya, 2016). The inclusion of women in every angle of decision making depends on the culture, norms and social values of the country. Recently, it was reported that in the United States of America, United Kingdom and some European countries, female representation in the board has increased and it has doubled since 1999 (Ekadah & Mboya, 2016). In Nigeria, women are not usually placed in high status, thereby reduced their participation in decision making especially in high managerial positions due to heterogeneous cultures in Nigeria. Carter and Beridze (2016) observed that board gender diversity enhances the board's ability to monitor top management because increase in the number of female directors may increase board's independence since women tend to ask questions that male directors may not ask. However, board gender diversity might reduce firm's performance as it may lead to conflicting opinions; thereby decision making time consuming and less effective.

Financial Performance

Financial performance which assesses the fulfillment of a firm's economic goals has long being an issue of interest in managerial researches. Firm financial performance relates to the various subjective measures of how well a firm can use its given assets from primary mode of operation to generate profit. Kothari (2001) defined the value of a firm as the present value of the expected future cash flows after adjusting for risk at an appropriate rate of return. Qureshi (2007) put forward four different approaches in which the value of a firm has been identified in corporate finance literature. These include the financial management approach which focuses on the evaluation of cash flows and investment levels before identifying and assessing the impact of financing sources on firm value; and the capital structure approach which studies the impact of capital structure changes on the value of firm and how different factors impact directly or inversely on the debt and equity component of the firm's capital structure; the resource based approach which explains the value of firm as an outcome of firm's resources; and finally, the sustainable growth approach which is a summary of the above three approaches to firm value, taking into account the firm's operating performance, its investment and financing needs, the financing sources, and its financing and dividend policies for sustainable development of firm's resources and maximization of firm value. Hence, this study focuses on market to book value to measure the financial performance.

The Market to Book ratio (also called the Price to Book ratio), is a financial valuation metric used to evaluate a company's current market value relative to its book value. The market value is the current stock price of all outstanding shares. The book value is the amount that would be left if the company liquidated all of its assets and repaid all of its liabilities. The book value equals the net assets of the company and comes from the balance sheet. The market to book ratio is typically used by investors to show the market's perception of a particular stock's value. It is used to value insurance and financial companies, real estate companies, and investment trusts. It does not work well for companies with mostly intangible assets. This ratio is used to denote how much equity investors are paying for each dollar in net assets. The market-to-book ratio is calculated by dividing the current closing price of the stock by the most current quarter's book value per share.

Where, $\text{Net Book Value} = \text{Total Assets} - \text{Total Liabilities}$

A low ratio (less than 1) could indicate that the stock is undervalued (i.e. a bad investment), and a higher ratio (greater than 1) could mean the stock is overvalued (i.e. it has performed well). A low ratio could also indicate that there is something wrong with the company. This ratio can also give the impression that you are paying too much for what would be left if the company went bankrupt. The market-to-book ratio helps a company determine whether or not its asset value is comparable to the market price of its stock. It is best to compare Market to Book ratios between companies within the same industry.

Theoretical Framework

This study is anchored on the assumption of agency theory. The origin of the agency could be traced to works of Ross (1973) and Mitnick (1973). The work of Ross linked agency theory to compensation while the seminal work of Mitnick linked the assumption of agency theory to institutional factors (Bendickson, Muldon, Liguori, & Davis, 2016). The agency theory tends to solve the problem of information asymmetry between the principal (shareholders) and the agents (the management). The principal provides the resources and employed the agent (management) to oversee the affair and utilization of these resources for better outcome. However, the goals of both parties are usually different. The principal aimed at maximizing his return while the agent usually focuses on his self-interest through compensation and

bonuses. This leads to the problem of information asymmetry as the agent usually has more information about the company than the shareholders, thereby using it to his own advantage (Fama, 1980). The management has opportunistic behavior of manipulating the profit stated in the financial statement by reporting better financial result, thereby leading to good compensation and bonuses. This may result to the problem of moral hazard and adverse selection. Agency theory recognizes that in a large corporation with widely dispersed ownership, small board size does not have the capacity and resources to monitor the managers but adequate board size with experienced members (Jensen & Meckling, 1976). The theory also assumed that the principal can restrain the disagreement by establishing suitable incentives for the agent and by incurring bonding and monitoring costs to in order to protect owners' interests, thereby leading to better financial performance of the firm. It also posits that women directors bring in additional expertise, market networks and ethical views crucial in decision making and consequently improving firm financial performance. Hence, a firm with better corporate governance mechanisms (better board remuneration, large board size and gender diversity) will experience better financial performance, long term sustainability and have competitive advantage.

Empirical Review

Miyiinda et al., (2012) investigated the relationship between director remuneration and performance among firms listed at the NSE for the period 2006-2010. The study used a sample of 57 listed firms. Regression analysis was used to establish the association between board remuneration and three financial performance measures: return on equity (ROE), earnings after taxes, and Tobin's Q. The findings demonstrated a positive link between board remuneration and financial performance; however, there was a weak relationship with ROE and Tobin's Q, but a moderately strong relationship with earnings after taxes. The researchers suggested that this difference implies that directors' remuneration among listed companies at the NSE is linked to raw financial performance measures such as earnings after taxes, as opposed to financial ratios that determine the efficiency of utilizing shareholder funds. This may be an indication of an agency problem where directors benefit from raw earnings but do not commit to the long term improvement in the utilization of shareholder funds and improving the market performance of the firm.

Yatim (2013) investigated directors' remuneration and corporate governance in Malaysia. The study used a sample of 428 companies for the 2008 financial year. The findings demonstrated that director's remuneration is positively and significantly associated to financial performance and growth opportunities. On the contrary, the study also showed that directors' remuneration is negatively and significantly related to board independence. Of note was also the importance of remuneration committee to set compensation packages. However, while the number of companies included in the sample was significantly high, the study only utilized financial performance for one year. Further, there was no differentiation with regard to the components of remuneration packages such as salaries, bonuses, and other benefits.

Khalid and Rehman (2014) assessed the impact of directors remuneration on financial performance of non-financial Pakistani corporate firms listed on the floor of Karachi Stock Exchange for the period of 2007 to 2011. Fixed effect regression analysis was employed to analyze the data collected from the annual report and accounts for the period 2007 to 2011. The study found that there is significant impact of association of remuneration of directors with the performance (ROA, ROE, EPS, SG) of firm in Pakistan. This study failed to state the population and sample size used in computing the regression result for the study. In the same vein, Narwal and Jinda (2015) investigated the impact of corporate governance on the profitability of Indian textile sectors. Data was sourced from the annual report and accounts of India textile companies for the period 2009 to 2014, and was analyzed with the use of correlation and OLS regression

analysis. The result shows a strong positive association between directors' remuneration and profitability (PAT) and concluded that directors are effectively performing their role of maximizing shareholder wealth. This study did not reveal how both dependent and independent variables were measured.

Ruparelia and Njuguna (2016) evaluated the relationship between board remuneration and financial performance in the Kenyan financial services industry. Data was sourced from the audited financial statement of twenty (20) financial services companies listed on the floor of Nairobi securities exchange for the periods 2003 to 2013. The result of the pooled cross-sectional data analysis depicted that the board remuneration negatively influenced the financial performance (ROE, ROA, DY and EPS) of the sample firms. The data sourced from the financial statement of forty-two (42) consumer goods and service industry listed on the Johannesburg stock exchange for the period of 2006 to 2015 was analyzed using Pearson correlation coefficient and generalized least square regression analysis. The result of the study revealed that remuneration policies in place for South Africa executive directors within the consumer goods and service industry seem to be affected by the share price of the company negatively.

Handa (2018) assessed the effect of corporate governance on financial performance of selected Indian banks. Panel regression analysis was used to analyze the data collected from the annual reports of seventy (70) selected banks for the period of 2008 to 2015. The result of the study revealed that average remuneration of directors has significant influence on bank performance (ROE & ROA).

Mirza, Mahmood, Andleeb and Ramzan (2012) examined the impact of gender diversity on firm performance with evidence from Pakistan companies. The data collected from the financial statement and business recorder's website of three hundred and ninety five (395) non-financial listed companies on the floor of Karachi Stock Exchange Pakistan for the periods 2004-2009 was analyzed with the use of panel regression analysis. The result indicates that gender diversity is negatively related with firm performance (ROA, ROE).

Kiran (2014) examined the relationship between gender diversity in board composition and firm performance OLS regression analysis was used to analyze data collected from the financial statement of 50 Finnish listed companies for 2011 and 2012. The result depicted that the issue of gender does not matter and the impact of gender diversity on the performance of the firm is insignificant (ROA). The data collected from the Association of Religion Data Archive (ARDA) and ORBIS for the periods 2005 to 2014 was analyzed with 2 stage least square regression analysis. The result showed that gender board diversity positively affects firm's financial performance (ROA).

Sumedrea (2016) evaluated the relationship between gender diversity and firm performance in seeking for sustainable development. Descriptive analysis was employed in analyzing the data collected from the financial report of sixty (60) Romanian companies listed on the floor of Bucharest Stock Exchange for the period 2014. The study positive relationship companies with board and management team gender diversity tend to score higher in terms of ROA and ROS than companies where men are in charge. Women in managerial positions in large companies tend to relate better with customers and help sales improvement, but in companies that are old and big the women participation in the process of strategic decision making is not particularly encouraged.

Christiansen, Lin, Pereira, Topalova and Turk (2016) evaluated the link between gender diversity in senior corporate position and financial performance of two (2) million companies in Europe. Data was sourced from the financial statement of companies that have data on ORBIS data base for 2013 and was analyzed

with the use of panel regression analysis. The study documented a positive association between return on asset (ROA) and gender diversity.

Oyewale, Oloko and Olweny (2016) evaluated the impact of board gender diversity on the financial performance of listed manufacturing companies in Nigeria. Univariate regression analysis was employed in analyzing the data collected from the financial statement of thirty-four (34) listed manufacturing companies for the periods 2006-2015. The result depicted that there is a significant linear relationship between board gender diversity and financial performance (ROE) of listed manufacturing companies in Nigeria. Beridze (2016) assessed the relationship between boardroom gender diversity and firm performance with evidence from the banking sector in Georgia. Panel data analysis was employed in analyzing the data collected from the annual report and accounts of nineteen (19) commercial banks in Georgia for the periods 2005 to 2014. The study revealed that the presence of one (1) woman on board has significant negative impact on performance of banks while the presence of two or more women on board has significant positive impact on banks performance in Georgia (ROA).

Ruuska (2017) investigated the relationship between female board members in publicly listed companies and firm financial performance. Ordinary least square (OLS) regression analysis was used to analyze the data collected from the annual report of eighty-two (82) publicly listed companies from NASDAQ OMX Helsinki stock exchange (Finland) for the year 2016. The result found that there is a significant positive relationship between firm financial performance (ROA, ROE) and board diversity in Finland. Marwa, Amon, Lui and Fakhredin (2017) assessed the impact of board characteristics on firms' financial performance with evidence from the Egyptian listed companies. Data was sourced from the annual report and accounts of the most active one hundred (100) companies listed on the floor of Egyptian Stock of Exchange for the periods 2005-2010. The data was analyzed with the use of panel regression analysis. The result shows that gender diversity has insignificant negative impact on Return on Asset (ROA) while gender diversity has significant negative impact on Tobin's Q.

Irean, Chan and Rozaimah (2017) investigated the relationship between gender diversity in a firm's board of directors and financial performance of firms listed on Bursa Malaysia. Data was sourced from the financial statement of seventy-six (76) non-financial firms listed on FTSE Bursa Malaysia Top 100 index for the periods 2009 -2013 and was analyzed with the use of panel regression analysis. The finding of the study shows that a higher degree of female representation on the board increases a firm's financial performance (Tobin's Q).

Joshi (2017) assessed whether gender diversity improved firm performance or not with evidence from India. Data was sourced from financial statement of publicly listed companies that has board gender diversity composition was analyzed using regression analysis. The result showed that there is insignificant effect of gender diversity on financial performance (employee productivity and total output of the firm). The limitation of this study is that it did not state clearly the population and sample size of the study.

Handa (2018) assessed the effect of corporate governance on financial performance of selected Indian banks. Panel regression analysis was used to analyze the data collected from the annual reports of seventy (70) selected banks for the period of 2008 to 2015. The result of the study indicates that the presence of female directors on board has significant influence on bank performance (ROE & ROA). Unite, Sullivan and Shi (2019) assessed the impact of board diversity on performance of Philippine firms. The data collected from the annual reports of two hundred and sixty-five (265) firms for the period 2003 to 2014, was analyzed using panel regression analysis. The study indicates that greater board diversity did not significantly affect either short term or long term firm value.

The previous empirical studies had provided conflicting results. These conflicting results could be as a result of the difference in institutional factors, methodological factors, among others. For instance, a very large of the studies reviewed were conducted in developing countries like Malaysia, Pakistan, Egypt, Philippine, India, Kenya, Georgia, Romania and Finland (See Mirza, et al., 2012; Vo & Phan, 2013; Kiran, 2014; Khalid & Rehman, 2014; Ruperalia & Njuguna, 2016; Christiansen, et al., 2016; Sumedrea, 2016; Marwa, et al., 2017, Joshi, 2017; Irean, et al., 2017; Ruuska, 2017; Handa, 2018; and Unite, et al., 2019). These countries have different corporate governance in place. Methodologically, some of the studies reviewed employed ordinary least square regression (OLS) analysis in testing the relationship between the dependent and independent variables (See Yatim, 2013; Kiran, 2014; Narwal & Jindal, 2015). The result of the ordinary least square regression analysis does not usually show the problem that may arise as a result of the variation in errors due to different data set of various companies that are tested in in the panel regression analysis. This present study is one of the few studies that employed the use of panel regression analysis in testing the relationship between board attributes and financial performance. More so, the studies reviewed used various accounting ratios such as return on asset (see Mirza, et al., 2012; Vo & Phan, 2013; Kiran, 2014; Khalid & Rehman, 2014; Sumedrea, 2016; Christiansen, et al. 2016; Ruperalia, & Njuguna, 2016; Beridze, 2016; Ruuska, 2017; Marwa, et al., 2017; Handa, 2018), return on equity (see Mirza, et al., 2012; Miyienda, et al., 2012; Ruperalia, & Njuguna, 2016; Ruuska, 2017; Handa, 2018), Tobin's Q (see Miyienda, et al., 2012; Irean, et al., 2017; and Marwa, et al., 2017), earnings per share (see Khalid & Rehman, 2014) and profit after tax (see Miyiendal, et al., 2012; and Narwal & Jindal, 2015). It was discovered that none of these studies used market to book value as a measure of financial performance.

In addition, it was observed that most of the studies conducted in Nigeria did not examine the effect of board remuneration on financial performance of listed insurance companies in Nigeria. Some of the studies such as Yatim, 2013; Kiran, 2014; Christiansen, et al. 2016; and Sumedrea, 2016 considered one or two years as the period of their studies which may not show the real relationship between the dependent and independent variables. Therefore, this study fills the gaps identified in the previous studies.

METHODOLOGY

This study adopts ex-post facto research design due to the nature of the data used in the study, that is, annual report of the sample insurance companies which is already in blueprint and cannot be manipulated. The population for this study comprises of all thirty-four (34) insurance companies listed on the floor of the Nigerian Stock Exchange as at 31st December, 2018. Due to the small population size, the study used the whole companies in the population. However, due to the unavailability of the financial statements of some insurance companies for all the period under review, some companies were filtered out thereby leading to twenty-three (23) listed insurance companies as final sample of the study. The data used for this study was mainly sourced from the annual reports and accounts on the websites of the sampled companies listed on the floor of the Nigerian Stock Exchange for the period 2013 - 2018. This period was chosen because new operational guide lines on premium collection and remittance was released by NAICOM in 2013 to protect the interest of policy holders and other stakeholders from the excesses of insurance practitioners. The study employed both descriptive and inferential statistics in analyzing the data. The descriptive statistics used were the mean, standard deviation, minimum and maximum values in order to show the summary of the large set of data obtained from the financial reports of the sample insurance companies while the hypotheses raised were tested using random-effect regression analysis. The choice of this technique is as a result of the possibility of the presence of firm specific heterogeneity while fixed effect estimation assumes the correlation between the independent variables in each model and their panel error term.

There are two variables in the study which are dependent and independent variables. The independent variable is board characteristics which was proxy with board gender diversity and board remuneration. Board remuneration was measured by natural logarithm of the total remuneration received by the board members while board gender diversity was measured as percentage of female to male directors in the board in a year. The dependent variable of the study is financial performance and was measured through market to book value ratio. The market to book value is calculated by dividing the current closing price of the stock by the net book value per share. The control variables used is firm's size which was measured as natural logarithm of total asset of the firm. The study adapts the model of Ruperalia and Njuguna (2016). Their model was written as:

$$Y = \beta_0 + \beta_1 BR + \varepsilon$$

Where: Y = financial performance; BR = board remuneration; and ε = error term.

The model of Ruperalia and Njuguna (2016) only has board remuneration as its independent variable as well as return on asset as dependent variable. The model of this study is an extension of Ruperalia and Njuguna (2016) as it has three independent variables.

$$MBV_{it} = \beta_0 + \beta_1 BREM_{it} + \beta_2 BGD_{it} + \beta_3 FSIZE_{it} + \varepsilon_{it}$$

Where:

MBV = Market to book value ratio of the company at ith time

BREM = Board remuneration of the company at ith time

BGEND = Board gender diversity of the company at ith time

FSIZE = Size of the company at ith time

ε = Error term (5% significance level)

RESULTS AND DISCUSSION

Table 4.1 Descriptive Result

Variables	Mean	Std. Dev.	Min.	Max.
MBV	1.8225	1.5441	-0.57	10.08
BDGEND	0.1416	0.1362	0	0.5
BD REM	4.7712	0.6309	3	6.76
FSIZE	7.2493	0.6280	6.6	9.97

Source: Author's Computation (2019)

The result in table 4.1 revealed that financial performance measured through market to book value, has an average value of 1.8225 with a standard deviation of 1.5441 and minimum and maximum values of -0.57

and 10.08 respectively. The mean value implies that the firms, on average, contribute 1.8% to market value of their firms during the period under review. The standard deviation of 1.5441 indicates there is wide dispersion of the data from the mean value. The minimum and maximum value of 0.57 and 10.08 implies that, during the period under review, the minimum market to book value (MBV) was 0.57 and the highest market to book value is recorded by the sample firms was 10.08. The result in table 4.1 also revealed that the mean value of board gender diversity is 0.1416 while the standard deviation is 0.1362 with minimum and maximum values of 0 and 0.5 respectively. The mean value indicates that the sample firms have an average of 14% of women on their board during the period under review. The minimum value of zero (0) implies that some firms do not have women as part of their board member while the year with highest women on the board was when companies have 50% of women on their board.

Table 4.1 also revealed that board remuneration has an average value of 4.7712 with a standard deviation of 0.6310 while the minimum and maximum values of 3 and 6.76 respectively. On the average, the remuneration received by the board of directors of the sample firms is 4.77 million naira. The standard deviation of 0.6310 implies that the data is 63% deviated from the mean value. The minimum remuneration paid to board of directors within the period under review was N3, 000,000 while the maximum amount received by the board of directors of the sample firms was six million, seven hundred and sixty thousand naira (N6.76 million). For the control variable, firm size, the result in table 1 shows that firms' size has an average value of 7.2493 with a standard deviation of 0.6280, while the minimum and maximum values are 6.6 and 9.97 respectively. It implies that the average value of the total assets of the sample firms is around 7.2493 billion naira. The standard deviation of 0.6280 implies that the data is widely dispersed from the mean value by 63%.

Table 4.2 Normality Distribution Test

Variables	BDGEND	BDREM	FS
Skewness	0.639	0.851	2.099
Kurtosis	-0.788	2.385	1.776

Source: Author's computation (2019)

The data collected was subjected to normality distribution test through skewness and kurtosis. The assumption of skewness and kurtosis is that data is normally distributed if their results do not fall outside the range of -3 and +3 (Peck. Olsen & Devore, 2008). Therefore, the result in table 4.2 indicates that the data does not suffer from normality distribution problem as the skewness lies between 0.639 and 2.099 while the kurtosis lies between -0.788 and 2.669.

Table 4.3 Multicollinearity Test Table (VIF)

Variable	VIF	1/VIF
BDGEND	1.03	0.9748
BDREM	2.20	0.4549
FS	2.19	0.4560
Mean VIF	1.81	

Source: Author's Computation (2019)

Table 4.3 shows the result of multicollinearity with the use of variance inflation factor (VIF) in order to show whether there is problem of collinearity among the explanatory variables or not. There will be problem of perfect multicollinearity if the VIF is 10 and above (Wooldridge, 2004). The result in table 4.2.2 revealed that there is absence of perfect multicollinearity problems among the explanatory variables as the variance inflation factor (VIFs) of the independent variables are less than 10.

Table 4.4 Breusch and Pagan/Cook Weisberg Test

Variable	Coefficient	P-value
Model	1.25	0.0642

Source: Author's Computation (2019)

The result in table 4.4 shows the outcome of heteroskedasticity test in order to check if the variances of the error-term of the different observations vary. There is a problem of heteroskedasticity if the result is of the P-value is less than 5% significant level. Therefore, the result in table 4.4 implies that the model did not face heteroskedasticity problem as table 4.4 shows that the P-value is 0.0642.

Table 4.5 Hausman Test

Variable	Chi ²	P-value
Model	9.91	0.0612

Source: Author's Computation (2019)

Table 4.5 shows the result of the Hausman test. Hausman test was carried out in order to determine the model that is appropriate between random-effect and fixed-effect. The rule of thumb for Hausman test is that if the P-value is less than 0.05, fixed-effect result is to be used and random-effect if otherwise. Based on the result in table 6, random-effect regression result is more appropriate as shown by P-value of 0.0612 which is greater than 5% significance level.

Restatement and test of Hypotheses

The results from table 4.3 indicate that the independent variables of the model explained 31.74% of the variations in the dependent variable (financial performance) of listed insurance companies in Nigeria, as shown by the coefficient of determination (R^2). The remaining 68.26% represents other independent variables that are not included in the model such as board size, board independence, board meeting, among others. The table 4.3 also shows that the model is fitted as evidenced by F- statistic of 14.27 which is significant at 5% as indicated by P-value of 0.0000. Therefore, following the fitness of the model, the test of hypotheses formulated in chapter one was carried out. The test of hypotheses was conducted using coefficient figures and P-value.

Table 4.3 Regression Result

Variables	Coefficient	Std. Error	t-value	P-value
BDGEND	3.4121	1.2062	2.83	0.002
BDREM	-1.0432	0.3461	-3.01	0.031
FS	1.0826	0.6414	1.69	0.060
Constant	2.2302	0.5689	3.92	0.000
F-Stat	14.27			0.0035
R ²	0.3174			

Source: Author's Computation (2019)
Restatement and Test of Hypotheses One

H₀₁: Board remuneration has no significant effect on financial performance of listed insurance companies in Nigeria.

The result in table 4.3 shows that board remuneration has significant negative effect on financial performance of listed insurance companies in Nigeria as shown by coefficient (-1.0432) with P-value (0.031) at 5% level of significance. This leads to the rejection of null hypothesis, thereby leading to acceptance of the alternative hypothesis. The null hypothesis states that board remuneration has no significant effect on financial performance of listed insurance companies in Nigeria. The result implies that when members of the board receive attractive and better reward for their monitoring role, it will lead to 1.04% decrease in the financial performance of the firm. This indicates that when the remuneration of the directors are not performance-oriented, the board members would not be committed to the long-term survival of the company, give better strategic decision on the utilization of the company's asset as well as judicious use of the external finances, thereby reducing the market performance of the firm. The result corroborates with the findings of Ruparelia and Njuguna (2016) and Kirsten and Toit (2018) where they reported that when directors are highly remunerated through their salaries, allowances and other packages (financial and non-financial), it would drastically decrease the financial outcome of the company. This could also be as a result of some directors not having fiduciary interest in the firm as well as having little or nothing to gain from better performance of the firm and may put less effort in fulfilling their monitoring role which could consequently reduce the performance of the firm.

In contrast, Miyienda, et al.(2012); Hassan and Ahmed (2012); Yatim (2013); Vo and Pham (2013); Khalid and Rahman (2014); Narwal and Jinda (2015) and Handa (2018) revealed that attractive remuneration motivates the board members to discharge their responsibilities through effective monitoring as well as offering better strategic advise which would improve the financial performance of companies. More so, due to increase in the agency cost through monitoring cost, the transaction costs of the firm may increase thereby significantly sweeping away the return of the company in a particular period. The result does not concur with the assumption of the agency theory which posits that directors that are highly remunerated could be encouraged to contribute his/her own quota to the success of the firm, monitor the activities of the management effectively as well as creating competitive advantage for the firm in the market which could subsequently affect their financial performance positively.

Restatement and Test of Hypothesis Two

H₀₂: Gender diversity has no significant effect on the financial performance of listed insurance companies in Nigeria.

Furthermore, the result in table 4.3 shows that board gender diversity has significant positive effect on the financial performance of listed insurance companies in Nigeria, as shown by coefficient of 3.4121 with P-value of 0.002. This result leads to the rejection of null hypothesis which states that board gender diversity has no significant effect on the financial performance of listed insurance companies in Nigeria, thereby leading to the acceptance of alternative hypothesis. The alternative hypothesis states that board gender diversity has significant effect on financial performance of listed insurance companies in Nigeria. This implies that when the board is mixed, that is, comprises of both men and women, it would assist the company to have market penetration thereby attracting more customers and consequently, better financial performance. This shows that board gender diversity will enhance the board's ability to monitor top management as well as board independence which could improve the financial performance of firms.

This finding confirmed the argument of the agency theory which states that board gender diversity enhances the ability of the board to monitor top management as well as increasing board independence because women usually have the boldness of asking questions that male directors could not ask and they are usually difficult to compromise when they hold higher managerial positions. More so, women exhibit greater diligence in monitoring activities as they demand greater accountability for manager's performance. The result validates the a-priori expectation of the researcher as he expects that board gender diversity would improve the financial performance of the sample firms because the presence of women on board could provide different perspective and ideas as well as commitment. The result is in line with the findings of Huiting (2015); Sumedrea (2016); Christiansen, *et al.* (2016); Oyewale, *et al.* (2016); Ruuska (2017); Irean, *et al.* (2017) as they found out that board gender diversity has significant positive effect on financial performance. The result contradicts the findings of Mirza, *et al.* (2012) and Beridze (2016); where they revealed that presence of women on board worsens the financial performance of firms.

CONCLUSION AND RECOMMENDATIONS

Based on the empirical results of the hypotheses tested, the study concluded that board gender diversity has significant positive effect on financial performance of listed insurance companies in Nigeria an indication that women on the board of directors will enhance better monitoring and increase the financial performance of listed insurance companies. The study also concluded that board remuneration has significant negative effect on financial performance of listed insurance companies in Nigeria. On the over all, the study concluded that corporate governance has significant effect on financial performance of listed insurance companies in Nigeria. The study therefore recommends that:

- i. adequate remuneration should be put in place by the remuneration committee in the company so as to motivate the directors to create a better link between the management and the shareholders leading to better firm's financial performance as well as shareholders' maximization.
- ii. Women should be given more consideration in board composition.

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