

**CORPORATE GOVERNANCE AND INSURANCE PERFORMANCE  
IN NIGERIA**

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**BY**

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT  
OF ACTUARIAL SCIENCE AND INSURANCE, FACULTY OF  
MANAGEMENT SCIENCE, UNIVERSITY OF BENIN, BENIN CITY.  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE  
AWARD OF BACHELOR OF SCIENCE (B. SC) DEGREE IN  
ACTUARIAL SCIENCE AND INSURANCE**

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## DECLARATION

I, **Victory ANONORIE**, do hereby declare that this project is entirely my work and composition. I further authenticate that the work contained in the report is original and has been done by me under the general supervision of **Dr .B.O. Orobator**

The work embodied in this project has not been submitted by any other candidate for any degree and is not being currently submitted for any other degree. All references made to the work of other person's have been duly acknowledged.

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**Victory ANONORIE**  
**(Declarant)**

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**DATE**

## **CERTIFICATION**

We, the undersigned certify that this research work was submitted by **Victory ANONORIE** with matriculation number **MGS2104950** in the department of Actuarial Science and Insurance, Faculty of Management Sciences and it is here by approved for the partial fulfillment of the requirement for the award of Bachelor of Science (B.sc) degree in Actuarial Science and Insurance, University of Benin, Benin City.

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**Dr .B.O. Orobator**  
**(Project Supervisor)**

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**DATE**

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**Miss I.M. Izedomi**  
**(Project Coordinator)**

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**DATE**

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**Dr. Osariemen I. Omoruyi-Aigbovo**  
**(Head of Department)**

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**DATE**

## **DEDICATION**

This project is dedicated to the Almighty and Everlasting God for his love, strength, wisdom and mercy upon my life.

This work is dedicated to my amazing family, my mom, my aunts and grandma.

## **ACKNOWLEDGEMENTS**

First and foremost my I appreciate my family for their unwavering support and prayers.

My mom, Miss Grace, my grandma Mrs Janet and my aunts (Blessing, Destiny,Doris, Rita). My cousin brothers Enoch, David, Evans and Donato for their love and encouragement, words will fail me to appreciate my big mummy Mrs Pat Erakpotobor.

I wish to express my profound gratitude to Dr .B.O. Orobator my project supervisor for her guidance, patience and encouragement through out the course of this project. To the head of department DR. O.I. OMORUYI AIGBOVO and my course advisor S.T. UMORU, and other lecturers in the department of insurance.

I am also thankful to the school/department for providing the necessary resources and support.

My appreciation extends to my course-mates, friends whose assistance and motivation greatly contributed to the successful completion of this work.

## ABSTRACT

*This study examined the effect of corporate governance mechanisms on the performance of listed insurance firms in Nigeria over the period 2015 to 2024. The main objective was to investigate how board independence, board diversity, board size, and CEO duality influence firm performance measured by return on assets. The study adopted an ex-post facto research design and relied on secondary data obtained from the published annual reports of ten purposively selected insurance companies listed on the Nigerian Exchange Group. The population comprised twenty-eight listed insurance firms as of December 2024. The study employed panel data analysis using both the Fixed Effects and Random Effects models. The Hausman specification test was conducted to determine the most appropriate model for estimation, and the test result favoured the Fixed Effects model. Descriptive statistics and correlation analysis were used to summarise the data and examine the relationships among the variables, while regression analysis was applied to test the study hypotheses. The findings revealed that board independence, board diversity, and board size each have a positive and statistically significant effect on firm performance, whereas CEO duality has a negative and significant effect. The results imply that firms with more independent and diverse boards and optimal board sizes perform better financially, while those combining the roles of CEO and board chair tend to underperform. The model explained approximately 61.1 percent of the variation in firm performance, indicating a strong explanatory power. The study concludes that effective corporate governance mechanisms are crucial for improving profitability and ensuring the long-term sustainability of insurance firms in Nigeria. It recommends that companies should strengthen board independence, promote gender diversity, maintain optimal board sizes, and separate leadership roles in order to enhance accountability, transparency, and performance. The study contributes to existing literature by providing empirical evidence from the Nigerian insurance industry and by demonstrating the applicability of panel data techniques in assessing governance–performance relationships in emerging markets.*



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Corporate governance has gained significant traction in recent years as an essential framework through which organizations are directed, controlled, and held accountable. What then is corporate governance? Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled (Shleifer & Vishny, 2017). It involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, the government, and the community (Monks & Minow, 2021). Effective corporate governance provides a framework for achieving a company's objectives, ensuring accountability, and enhancing transparency and fairness in business operations (OECD, 2015). According to the Organization for Economic Co-operation and Development (OECD), corporate governance is a set of relationships between a company's management, its board, its shareholders, and other stakeholders that provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2015).

In the context of the financial services sector, particularly the insurance industry, corporate governance plays a critical role in ensuring transparency, accountability, and

efficiency, which ultimately impact firm performance. In Nigeria, the role of corporate governance has become increasingly crucial due to recurrent corporate scandals, regulatory lapses, and firm collapses within the financial industry (Akindola & Tijani, 2023). Consequently, there is a growing interest in understanding the influence of corporate governance mechanisms on the performance of insurance firms. Insurance companies operate in a risk-laden environment, where decisions must be made with diligence and oversight to guarantee long-term viability and trust among policyholders and investors (Jadon & Hephzibah, 2022). Effective corporate governance serves as a safeguard against opportunistic behaviors and managerial excesses, especially in a sector where asymmetric information and agency conflicts are common (Dorothy & Isibor, 2023). Thus, governance structures such as board independence, board diversity, board size, and CEO duality are particularly relevant in assessing organizational performance.

Board independence is often considered a vital component of effective governance as independent directors are presumed to be impartial, thereby providing better oversight and monitoring of executive actions. Studies have shown that a higher proportion of independent directors can reduce agency conflicts and improve firm performance (Ahmed & Nwankwo, 2021). Similarly, board diversity, which includes gender, professional background, and ethnicity, brings varied perspectives and enhances

decision-making quality, especially in complex and dynamic environments like insurance (Ahmed & Nwankwo, 2021).

Board size is another governance attribute that can influence performance. While larger boards may offer a wider range of expertise and experience, they may also lead to coordination problems and slower decision-making. Conversely, smaller boards tend to be more cohesive and efficient but may lack the diversity of thought necessary for complex decision-making. As such, determining the optimal board size for Nigerian insurance firms is an area of interest (Harrison & Salami, 2023). CEO duality, where the same individual serves as both the chief executive officer and the chairman of the board, raises concerns about concentration of power and potential conflicts of interest (Okoye et al., 2022). Literature remains divided on the effect of CEO duality on firm performance. While some scholars argue that it enhances strategic alignment and leadership unity (Okoye et al., 2022), others contend that it undermines checks and balances (Olayemi & Ogundipe, 2020).

Despite numerous studies on corporate governance and firm performance globally, limited empirical evidence exists specifically targeting the Nigerian insurance industry. Nigeria's unique economic, regulatory, and institutional environments necessitate a localized study that focuses on how governance practices influence insurance firm outcomes. Moreover, existing studies often examine broad financial sectors without

isolating the peculiarities of insurance firms. Therefore, this study seeks to fill this gap by focusing on selected corporate governance mechanisms and their effect on the performance of insurance firms in Nigeria.

## **1.2 Statement of the Research Problem**

The nexus between corporate governance and organizational performance has received widespread academic attention, particularly in banking and manufacturing sectors. However, research focusing on the insurance sector remains relatively underdeveloped, especially within the Nigerian context. This gap persists despite the unique governance challenges and performance implications associated with insurance operations.

Previous studies such as Olayemi and Ogundipe (2020) explored corporate governance structures in Nigerian banks, emphasizing the relevance of board composition and CEO duality but did not extend their analysis to insurance firms. Similarly, Ahmed and Nwankwo (2021) examined the impact of board characteristics on firm performance but focused largely on manufacturing companies, with findings that may not be generalizable to insurance firms due to sectoral differences. Furthermore, Okoye et al. (2022) highlighted the positive relationship between gender diversity and financial performance in Nigerian financial institutions but failed to dissect how this plays out specifically within the insurance industry. Most studies have adopted broad

variables or generalized frameworks, neglecting the nuanced governance structures within insurance firms, such as reinsurance arrangements, claim settlements, and underwriting risks, which require distinct oversight mechanisms. In addition, methodological limitations in prior research, such as limited sample sizes, short observation periods, and lack of disaggregated governance variables, have constrained the depth of insight provided. These gaps underscore the need for a more focused and empirically robust analysis of corporate governance in Nigeria's insurance sector.

This study therefore seeks to investigate how specific corporate governance variables board independence, board diversity, board size, and CEO duality influence the performance of insurance firms in Nigeria.

### **1.3 Research Questions**

This study seeks to answer the following research questions:

- i. To what extent does board independence influence the performance of insurance firms in Nigeria?
- ii. How does board diversity affect the performance of insurance firms in Nigeria?
- iii. What is the impact of board size on the performance of insurance firms in Nigeria?
- iv. How does CEO duality affect the performance of insurance firms in Nigeria?

## **1.4 Objectives of the Study**

The main objective of this study is to examine the effect of corporate governance on the performance of insurance firms in Nigeria. The specific objectives are to:

- i. investigate the impact of board independence on the performance of insurance firms in Nigeria.
- ii. examine the effect of board diversity on the performance of insurance firms in Nigeria.
- iii. evaluate the influence of board size on the performance of insurance firms in Nigeria.
- iv. assess the effect of CEO duality on the performance of insurance firms in Nigeria.

## **1.5 Research Hypotheses**

The study will test the following hypotheses in their null form:

- **H<sub>01</sub>**: Board independence has no significant effect on the performance of insurance firms in Nigeria.
- **H<sub>02</sub>**: Board diversity has no significant effect on the performance of insurance firms in Nigeria.

- **H<sub>03</sub>**: Board size has no significant effect on the performance of insurance firms in Nigeria.
- **H<sub>04</sub>**: CEO duality has no significant effect on the performance of insurance firms in Nigeria.

## **1.6 Scope of the Study**

This study focuses on the relationship between corporate governance and the performance of insurance companies in Nigeria. It will examine key corporate governance variables such as board independence, board diversity, board size, and CEO duality. The analysis will be limited to selected insurance firms operating in Nigeria, using secondary data from their published annual reports and corporate governance disclosures, covering a period of 10 years, from 2015 to 2024. The performance of insurance firms will be measured using Return on Assets (ROA) as the financial indicator.

## **1.7 Significance of the Study**

This study is significant for several stakeholder groups, each of whom stands to benefit from the findings in meaningful ways:

- I. **Insurance Companies:** The findings of this research will help insurance companies in Nigeria to assess and improve their corporate governance practices. By understanding how board composition and leadership structure affect

performance, firms can make informed strategic decisions that enhance efficiency, accountability, and profitability.

- II. **Policy Makers and Regulators:** Agencies such as the National Insurance Commission (NAICOM) and the Securities and Exchange Commission (SEC) can leverage this study's insights to develop or refine regulatory frameworks that promote sound governance practices in the insurance industry.
- III. **Investors and Shareholders:** The study will provide investors and shareholders with critical knowledge about the influence of governance mechanisms on firm performance. This can inform investment decisions and enhance demand for transparency and accountability in corporate leadership.
- IV. **Academics and Researchers:** This study contributes to the growing body of literature on corporate governance in emerging markets, especially in the context of the insurance sector, which has received less academic attention. It provides a useful basis for future empirical studies and comparative research across industries.
- V. **Management and Board Members:** Board members and top-level executives will find this research valuable in assessing how their governance style

particularly issues like board size, independence, diversity, and CEO duality can be aligned with organizational goals for improved performance.

### **1.8 Limitations of the Study**

This study is constrained by a few notable limitations. First, it relies predominantly on secondary data obtained from published annual reports, which may sometimes be incomplete or inconsistent across firms. Secondly, the study is limited to Nigerian insurance firms, and as such, its findings may not be generalizable to other sectors or countries. Additionally, the focus is on only four corporate governance variables, and do not account for other factors such as ownership structure or audit committee characteristics which may also influence performance. Lastly, the study is limited to the period (2015–2024) and do not account for any application outside of this period.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section reviews literature on the effect of corporate governance on the performance of insurance firms in Nigeria with a focus on conceptual review, theoretical review, and empirical review.

#### **2.2 Conceptual Review**

##### **2.2.1 Concept of Insurance Firm Performance**

Insurance is generally defined as a contractual arrangement in which an insurer undertakes to provide financial compensation to the insured in the event of a specified loss, damage, illness, or death, in exchange for the payment of a premium. It is a mechanism for pooling and transferring risks from individuals or entities to a larger group, thereby mitigating the financial impact of uncertain events (Eze & Okonkwo, 2021). The core purpose of insurance is to provide protection and promote financial stability for policyholders while ensuring the sustainability of the insurer. According to Adeleke and Lawal (2023), insurance not only enhances economic resilience by absorbing shocks but also contributes to national economic development by mobilizing savings and facilitating investments.

Insurance firms operate within a highly regulated and competitive environment, where performance is influenced by both internal management practices and external macroeconomic and institutional factors. The concept of performance in the insurance industry refers broadly to the ability of these firms to achieve their strategic and operational goals in a manner that ensures profitability, solvency, customer satisfaction, and compliance with regulatory standards (Ogunbiyi & Ajayi, 2022). From a strategic management perspective, performance encompasses the effectiveness and efficiency with which an insurance firm utilizes its resources to deliver value to stakeholders while maintaining a competitive position in the market.

In recent years, the performance of insurance firms has been viewed not only from a financial standpoint but also from a broader organizational perspective, incorporating governance quality, operational excellence, innovation, and adaptability to environmental changes (Okonkwo & Nwosu, 2020). This perspective recognizes that in the face of increasing globalization, technological disruption, and evolving customer needs, sustainable performance requires strong corporate governance frameworks and strategic alignment between leadership decisions and market demands.

Furthermore, insurance firm performance is closely linked to the trust and confidence of policyholders, which are built through transparent operations, timely claims settlement, and the maintenance of ethical standards (Adeleke & Lawal, 2023).

Poor governance practices, inefficiency in operations, or failure to meet customer expectations can erode public trust, leading to reputational damage and declining market share. Conversely, well-governed insurance firms with effective oversight structures are better positioned to enhance their performance by reducing operational risks, improving decision-making, and aligning organizational goals with stakeholder interests.

### **2.2.2 Measures of Insurance Firm Performance**

The performance of insurance firms can be evaluated through a variety of financial and non-financial metrics that capture profitability, efficiency, solvency, and customer satisfaction. Scholars have highlighted that no single measure can comprehensively reflect an organization's performance; instead, multiple indicators are often employed to provide a balanced view (Akinwumi & Oladipo, 2021). Commonly used performance measures in the insurance sector include Return on Assets (ROA), Return on Equity (ROE), Underwriting Profit Ratio, Loss Ratio, Combined Ratio, Net Premium Growth, and Customer Retention Rate (Kipkoech & Njeru, 2020; Adeleke & Lawal, 2023).

From a financial perspective, Return on Equity (ROE) measures the ability of a firm to generate profits from shareholders' investments, while the Loss Ratio and Combined Ratio are widely used in the insurance industry to assess underwriting

performance and efficiency (Okeke & Nwankwo, 2022). Operationally, non-financial indicators such as customer satisfaction, brand reputation, and claims settlement speed also provide valuable insights into overall performance (Ogunbiyi & Ajayi, 2022).

Among these measures, Return on Assets (ROA) is one of the most widely used and reliable indicators of financial performance, particularly in the insurance industry. ROA measures the net income generated by the firm in relation to its total assets, thereby reflecting the efficiency with which management utilizes the company's asset base to generate earnings (Ahmed & Nwosu, 2021). A higher ROA suggests better asset utilization and effective operational management, which is critical in the insurance industry where asset portfolios comprising premium receivables, investments, and reserves are substantial.

ROA is particularly relevant for insurance firms because it considers the total resources under management, regardless of the firm's capital structure. This makes it a more comprehensive indicator than ROE, which focuses only on equity capital (Wanjiru & Kiarie, 2020). In a highly regulated environment like Nigeria's insurance sector, where capital adequacy and solvency requirements are enforced by the National Insurance Commission (NAICOM), ROA offers a robust gauge of managerial efficiency and the firm's ability to convert assets into profits without excessive reliance on debt.

Furthermore, studies in emerging markets have found ROA to be a consistent predictor of financial stability and long-term sustainability in insurance firms (Adeleke & Lawal, 2023; Kipkoech & Njeru, 2020). For this reason, the present study adopts ROA as the principal measure of insurance firm performance. By focusing on ROA, the research captures the effectiveness of governance structures such as board independence, board diversity, board size, and CEO duality in influencing the efficient use of assets to achieve profitability.

### **2.2.3 Corporate Governance and Insurance Firm Performance**

Corporate governance refers to the system of rules, practices, and processes through which organizations are directed and controlled. It provides the framework within which corporate objectives are set, pursued, and monitored, ensuring accountability, transparency, and fairness in the relationship between management, the board of directors, shareholders, and other stakeholders (Akinyemi & Olabode, 2021). In the financial services sector, and particularly in the insurance industry, corporate governance plays a critical role in safeguarding policyholder interests, maintaining regulatory compliance, and promoting sustainable organizational performance.

The relevance of corporate governance to insurance firm performance stems from the unique nature of insurance operations, which involve long-term contractual obligations, complex risk management processes, and the management of substantial

investment portfolios (Okeke & Nwankwo, 2022). Weak governance practices can expose insurance firms to operational inefficiencies, financial mismanagement, and reputational damage, all of which can impair performance. Conversely, strong governance mechanisms can enhance decision-making, foster market confidence, and ensure that firms achieve both profitability and long-term stability (Okeke & Nwankwo, 2022).

Corporate governance encompasses several structural and behavioural dimensions that influence firm outcomes. In this study, the focus is on four specific governance measures board independence, board diversity, board size, and CEO duality that have been widely discussed in governance literature and have direct implications for organizational performance.

### **2.2.3.1 Board Independence and Insurance Firm Performance**

Board independence is a central pillar of corporate governance, representing the proportion of non-executive or independent directors who do not have a material relationship with the company apart from their directorship. Independent directors are generally considered vital for ensuring objectivity, reducing management opportunism, and enhancing decision-making in the best interests of shareholders (Al-ahdal et al., 2020). In the insurance sector, where long-term liabilities, risk pooling, and fiduciary duties to policyholders are significant, the role of independent directors becomes even

more critical. An independent board is expected to exercise greater oversight over managerial actions, curb excessive risk-taking, and ensure compliance with regulatory frameworks such as those stipulated by the National Insurance Commission (NAICOM) in Nigeria.

Theoretically, the agency theory provides the foundation for the emphasis on board independence. The separation of ownership and control creates agency problems, where managers may pursue personal interests at the expense of shareholders and other stakeholders (Jensen & Meckling, 1976; re-affirmed in empirical contexts by Obigbemi et al., 2021). Independent directors serve as a counterbalance to executive influence by providing unbiased scrutiny of strategic and operational decisions. In the Nigerian insurance industry, where governance lapses have historically contributed to insolvencies and loss of public trust, an independent board structure can play a decisive role in ensuring transparent claims processing, prudent investment strategies, and ethical underwriting practices (Okoye & Ofoegbu, 2022). Ujunwa et al. (2019) found that board independence had a positive and significant impact on the financial performance of Nigerian insurance firms, attributing this to reduced managerial entrenchment and enhanced strategic oversight. Similarly, Sanda et al. (2020) observed that higher proportions of independent directors were associated with improved return on assets (ROA) in the financial services sector. Conversely, Ejemeyovwi and Ejemeyovwi (2021)

found no significant relationship between board independence and performance, suggesting that other governance mechanisms, such as regulatory compliance and ownership structure, might play more dominant roles in certain contexts.

The insurance sector is unique in that its product insurance contracts involves complex risk assessments, actuarial projections, and strict regulatory capital requirements. Independent directors with expertise in risk management, actuarial science, or financial regulation can significantly influence the strategic direction of insurance companies (Olayemi & Adegbite, 2022). Such expertise ensures that management decisions are not only profit-oriented but also sustainable and compliant with industry standards, thereby enhancing long-term performance. In Nigeria, regulatory efforts have emphasized the inclusion of independent directors to strengthen governance. NAICOM's corporate governance guidelines stipulate that a certain percentage of the board should be composed of non-executive directors, with a reasonable proportion being truly independent (NAICOM, 2021). The intent is to minimize the potential for insider dominance, where related-party transactions, nepotism, or political interference could compromise operational efficiency. Compliance with these guidelines is expected to lead to better alignment of management actions with the interests of shareholders, policyholders, and regulators.

Nevertheless, independence on paper does not always translate to effective independence in practice. Studies such as Adegbite (2022) point out that in some Nigerian firms, so-called "independent" directors may still have informal affiliations with management or major shareholders, undermining their oversight role. This suggests that the effectiveness of board independence depends not only on the structural composition of the board but also on the actual conduct, integrity, and professional competence of the independent directors. From a performance perspective, the link between board independence and return on assets (ROA) a common measure of firm efficiency can be explained through enhanced monitoring, reduced agency costs, and better strategic guidance (Adegbite & Philip, 2023). Independent boards are less likely to approve projects with low expected returns or engage in high-risk speculative investments, which can safeguard the firm's asset base and optimize profitability. In insurance firms, where profitability and solvency are closely linked, this prudence is critical for maintaining market stability and consumer confidence (Chinoda & Kwenda, 2023).

### **2.2.3.2 Board Diversity and Insurance Firm Performance**

Board diversity encompasses the presence of directors with varied characteristics such as gender, ethnicity, nationality, professional background, and expertise on corporate boards. It is grounded in theories like Resource Dependence and Upper Echelons, which posit that a diverse board brings a broader range of insights, experiences,

and cognitive approaches, thereby enriching decision-making and strategic oversight (Hambrick & Mason, 1984; Birindelli & Lannuzzi, 2022). In the context of insurance firms where complex risk management, underwriting discipline, and strategic alignment are critical the value of diverse perspectives cannot be overstated. Diversity may enhance innovation, risk assessment, and responsiveness to market shifts, ultimately contributing to stronger firm performance in terms of efficiency, resilience, and stakeholder trust (Turn0search21, 2025; Gbarato, 2020).

Abba, Hanga, and Isaiah (2024) found that board gender diversity, alongside director expertise, significantly and positively influenced Return on Assets (ROA) for listed insurance companies, underscoring the importance of both representation and competency. Similarly, Ajisafe and colleagues (2023) reported that gender diversity on boards had a significant positive effect on financial performance in listed insurance companies, reinforcing the notion that female representation strengthens governance and financial outcomes. However, other studies reveal mixed results. Titilayo, Adediran, and Achimugu (2022) examined multiple board characteristics including gender and nationality diversity across quoted insurance firms in Nigeria. Their findings indicated that while gender diversity had no significant effect on ROA, it positively influenced market-based performance measured by Tobin's Q. Notably, board independence and nationality diversity also displayed nuanced significance depending on the performance

metric utilized. These mixed findings may reflect the complexity of diversity's impact: benefits may accrue more to strategic perceptions and investor confidence (captured by Tobin's Q), rather than directly affecting accounting profitability (ROA). Such divergence highlights the need for nuanced analysis when assessing diversity's role in performance.

Beyond Nigeria, studies in other emerging markets support the broader relevance of board diversity. In Kenya, Opiyo et al. (2024) found that diversity in top management teams significantly enhanced competitive advantage in insurance firms, demonstrating that heterogeneous leadership aligns with strategic competitiveness. Theoretically, increased board diversity contributes to improved monitoring and reduces information asymmetry and groupthink elements critical in the governance of risk-sensitive organizations like insurers (Adewale & Kingsley, 2023). Diverse boards are also better positioned to understand varied customer segments, regulatory expectations, and societal expectations, which in turn reinforces public trust and brand reputation (Chikwendu & Ejiofor, 2024). Nevertheless, for diversity to yield tangible performance gains, representation must be meaningful. Superficial diversity without genuine empowerment or inclusivity may not translate into better governance or financial outcomes. Active engagement, equitable participation, and alignment with strategic goals are essential to harness the full benefits of diversity (Johanson, 2021).

### **2.2.3.3 Board Size and Insurance Firm Performance**

Board size refers to the total number of directors serving on the board of a company at a given time. It is a critical corporate governance variable that can influence decision-making processes, oversight functions, and strategic direction of insurance firms. According to Johl et al. (2021), board size determines the diversity of expertise, skills, and perspectives available for corporate decision-making, which in turn may influence firm performance. In the context of insurance firms, an optimal board size is essential for balancing effective monitoring with swift decision-making in a highly regulated and competitive environment.

A larger board size can bring together a wide range of professional expertise, including risk management specialists, actuaries, financial analysts, and legal professionals, which are particularly relevant to the unique operational needs of insurance companies. This diversity of skills enhances strategic oversight and can contribute to improved performance (Al-Daoud et al., 2022). For instance, the insurance business model requires informed oversight on underwriting policies, investment decisions, claims management, and compliance with regulatory frameworks. A well-structured, sufficiently large board can provide such oversight effectively.

However, the relationship between board size and insurance firm performance is not linear. While larger boards may offer a broader knowledge base, they may also face

challenges related to coordination, communication, and decision-making efficiency (Okiro, 2021). Overly large boards may be prone to slower responses in dynamic market conditions, which could hinder the agility required for competitive performance in the insurance sector. Conversely, boards that are too small may lack the necessary diversity of viewpoints and expertise, potentially limiting strategic options and risk management capacity.

From an agency theory perspective, a moderately large board can help mitigate conflicts of interest between shareholders and management by providing adequate oversight (Fama & Jensen, 1983). In insurance firms, where information asymmetry can be high due to the complexity of insurance products and investment portfolios, the monitoring role of the board becomes even more critical. Research by Adegbie and Adeniran (2023) supports this, showing that an optimal board size is positively correlated with profitability and solvency in Nigerian insurance firms. Stakeholder theory also emphasizes that the board should represent not only shareholders but also policyholders, employees, regulators, and other stakeholders (Freeman et al., 2020). A balanced board size can ensure that diverse stakeholder interests are considered in strategic decisions, thereby improving reputation, trust, and ultimately firm performance. This is particularly important for insurance companies, where trust plays a central role in customer acquisition and retention. A study by Mohammed and Olalekan (2022) in Nigeria found

that medium-sized boards (between 7 and 12 members) were associated with higher return on assets (ROA) and return on equity (ROE), while excessively large or small boards showed diminished performance outcomes. This aligns with international studies suggesting that the optimal board size may depend on the complexity and scale of the firm's operations (Pucheta-Martínez & Bel-Oms, 2019).

For insurance firms, regulatory guidelines may also influence optimal board size. In Nigeria, the National Insurance Commission (NAICOM) provides governance codes that recommend a range for board membership to ensure both adequate oversight and functional efficiency. Compliance with these guidelines not only ensures regulatory approval but may also enhance investor confidence. In summary, board size is a vital determinant of insurance firm performance. While larger boards can bring valuable expertise and stakeholder representation, excessively large boards may hinder efficiency. Conversely, smaller boards may be nimble but risk lacking the diversity of skills required for the complex operations of insurance firms. The key lies in identifying and maintaining an optimal board size that balances effective monitoring, strategic input, and decision-making agility.

#### **2.2.3.4 CEO Duality and Insurance Firm Performance**

CEO duality occurs when the Chief Executive Officer (CEO) of a firm simultaneously serves as the Chairman of the Board of Directors, thereby concentrating

decision-making authority in one individual. This governance structure has been the subject of considerable debate in both academic and corporate circles, particularly in the insurance sector where strategic decision-making and effective oversight are crucial (Wikipedia, 2025). Proponents of CEO duality argue that combining the two roles enhances leadership unity, streamlines decision-making, and enables swift responses to market changes (Dalwai & Salehi, 2021). Critics, however, contend that CEO duality undermines board independence, weakens oversight functions, and increases the risk of managerial entrenchment, potentially harming firm performance (Hu et al., 2020).

The relationship between CEO duality and firm performance in the insurance industry is complex due to the industry's regulatory demands, risk exposure, and operational complexity. Insurance firms operate in environments where sound risk management and long-term stability are vital, and the governance structure can significantly influence these outcomes. A unified leadership structure may facilitate coherent strategic direction and faster decision-making in competitive markets (Htay et al., 2021). However, in the absence of strong checks and balances, CEO duality could lead to excessive risk-taking or insufficiently challenging managerial decisions, negatively impacting firm performance. Empirical evidence on the effect of CEO duality on insurance firm performance is mixed. Some studies have found a negative relationship, suggesting that separating the CEO and chairman roles enhances governance quality,

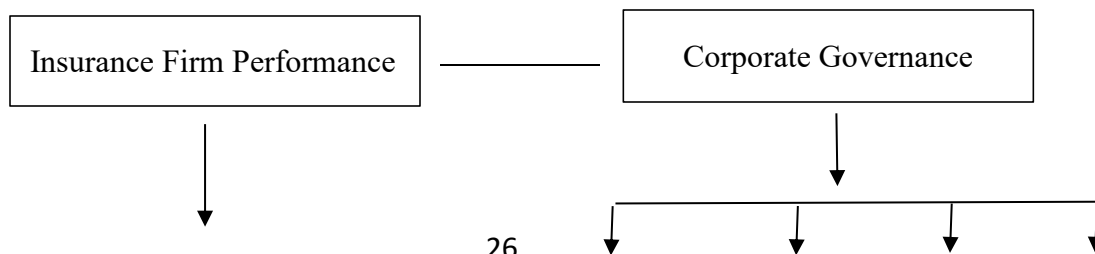
strengthens board monitoring, and improves overall firm outcomes (Alabdullah, 2020). In contrast, other research has identified situations in which CEO duality positively correlates with performance, particularly in highly competitive environments where decisive and unified leadership is essential (Krause et al., 2020). This inconsistency indicates that contextual factors, such as firm size, ownership structure, and market conditions, may moderate the relationship.

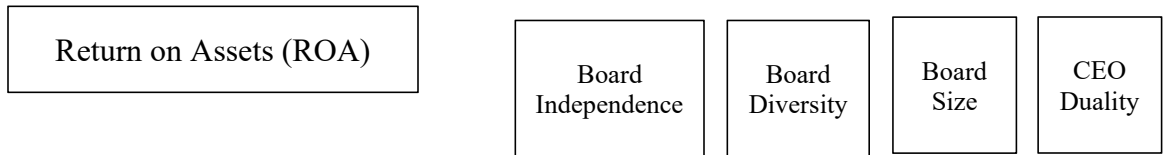
CEO duality may exacerbate the principal-agent problem by concentrating power in one individual, thereby reducing the board's ability to monitor management effectively (Jensen & Meckling, 1976; as cited in Azeez, 2022). In insurance firms, this could translate into less stringent oversight of underwriting policies, investment strategies, and compliance measures. On the other hand, stewardship theory suggests that CEO duality can foster strong leadership alignment with organizational goals, particularly when the CEO has deep industry expertise and a long-term commitment to the firm (Dalwai & Salehi, 2021). The regulatory environment also influences the effect of CEO duality on insurance firm performance. In countries with strong regulatory oversight and robust shareholder protection laws, the risks associated with CEO duality may be mitigated, allowing firms to benefit from unified leadership without compromising governance quality (Saidu, 2019). Conversely, in weaker regulatory settings, CEO duality could

magnify governance risks and lead to adverse outcomes for shareholders and policyholders alike.

In the Nigerian insurance sector, corporate governance codes generally recommend the separation of the CEO and chairman roles to enhance board independence and accountability (Financial Reporting Council of Nigeria, 2020). Despite this, some firms continue to adopt CEO duality, often justifying it on the grounds of efficiency and strong leadership vision. The performance implications of such governance choices remain an important empirical question for researchers and practitioners. The influence of CEO duality on insurance firm performance is, therefore, best understood as contingent upon contextual factors, including the firm's governance culture, market competition, and regulatory environment. While some firms may benefit from the streamlined decision-making that CEO duality offers, others may find that separating the roles leads to better oversight, reduced risk exposure, and enhanced long-term performance.

### 2.3 Conceptual Framework





Source: Researcher's Computation (2025)

## 2.4 Theoretical Review

There are three theories that are relevant to this study, these theories are the Agency theory, Resource dependence theory and the Stewardship theory.

### 2.4.1 Agency Theory

Agency theory, first articulated by Jensen and Meckling (1976), examines the relationship between principals (owners or shareholders) and agents (managers), focusing on how conflicts of interest and information asymmetry can impact decision-making and organizational outcomes. The theory posits that because managers may pursue personal goals that do not always align with the owners' objectives, there is a need for governance mechanisms to ensure managerial actions are in the best interest of shareholders (Fama & Jensen, 1983; Agyemang et al., 2022). In the context of insurance firms, agency relationships often exist between shareholders, the board of directors, and top management, with each party potentially having divergent priorities.

Within insurance companies, the separation of ownership and control creates a situation in which managers tasked with day-to-day operations may not always act in ways that maximize shareholder wealth (Panda & Leepsa, 2017; Al-ahdal et al., 2020). Agency theory suggests that effective corporate governance structures, such as an independent board, diverse board composition, optimal board size, and clear separation of the CEO and chairperson roles, can reduce agency costs by aligning managerial actions with shareholder interests (Ujunwa et al., 2021). Board independence, for instance, is a key agency theory proposition, as independent directors are perceived to be less influenced by internal management and therefore better positioned to monitor executive performance (Alqatamin et al., 2022). Similarly, board diversity can enhance monitoring quality by bringing varied perspectives that challenge managerial decisions and reduce the likelihood of collusion. The theory also supports having a well-sized board, balancing the need for adequate expertise and oversight without diluting accountability (Kang & Kim, 2023). Agency theory further argues against CEO duality the combination of CEO and board chair positions because it can concentrate too much power in one individual, undermining the board's ability to effectively monitor management (Yahaya & Lamidi, 2021). In insurance firms, where financial stability, solvency, and prudent risk-taking are critical, such concentrated authority could lead to excessive risk-taking or self-serving strategies that jeopardize firm performance.

The relevance of agency theory to this study lies in its ability to explain why corporate governance mechanisms directly affect insurance firm performance. It provides a framework for understanding how governance attributes influence the board's monitoring effectiveness, risk oversight, and strategic guidance, all of which are vital in ensuring that managers prioritize sustainable profitability and policyholder protection. This study is underpinned by agency theory because it directly links governance practices such as board independence, diversity, size, and separation of leadership roles to performance outcomes. By examining these governance mechanisms, the study seeks to empirically test whether they mitigate agency problems in Nigerian insurance firms, thereby enhancing operational efficiency and return on assets (ROA).

In the Nigerian context, where regulatory bodies like the National Insurance Commission (NAICOM) emphasize sound governance as a prerequisite for operational licensing, agency theory offers a robust lens for evaluating the alignment between governance structures and firm performance (Okoye et al., 2023). The insurance sector's unique risk profile characterized by large capital pools, long-term obligations, and regulatory scrutiny makes effective governance essential to protecting shareholder interests while safeguarding policyholders.

#### **2.4.2 Resource Dependence Theory**

Resource Dependence Theory (RDT), originally articulated by Pfeffer and Salancik (1978), posits that organizations are not self-sufficient but rely on external resources to survive, compete, and achieve strategic goals. These resources, which may include capital, market access, expertise, and regulatory approvals, are often controlled by external stakeholders. The theory emphasizes that the ability of an organization to secure and manage these critical resources significantly determines its performance and sustainability. Consequently, the composition and structure of an organization's leadership particularly the board of directors play a vital role in bridging the gap between the firm and its external environment (Hillman et al., 2009; Kumar & Zattoni, 2020).

In the context of insurance firms, RDT suggests that the board of directors is a critical mechanism for securing the external linkages necessary for operational efficiency and market competitiveness. Board members can provide valuable connections to regulators, industry associations, investors, and other stakeholders, thereby facilitating access to strategic resources such as favourable policies, financial capital, and technical expertise (Amorelli & García-Sánchez, 2021). Insurance firms operate in a highly regulated and competitive industry where external dependencies such as compliance requirements, risk assessment tools, and actuarial expertise are pivotal to their success. As such, a well-connected and strategically composed board enhances a firm's capacity to respond to environmental uncertainties and secure essential resources.

The governance measures explored in this study such as board independence, diversity, size, and CEO duality can be viewed through the lens of RDT as strategic levers for optimizing access to external resources. For example, independent directors may bring in objective insights and professional networks that can open up new markets or strengthen regulatory compliance. Similarly, a diverse board may draw on varied experiences and perspectives, enabling more innovative problem-solving and the ability to tap into broader stakeholder pools (Terjesen et al., 2020). Larger boards may expand the firm's access to different networks and specializations, while separating the roles of CEO and board chair may enhance the board's ability to engage more effectively with external stakeholders.

The relevance of RDT to insurance firm performance lies in its focus on strategic positioning through external linkages rather than solely on internal operational control. Insurance companies often rely on macroeconomic stability, government policy, and global reinsurance markets factors beyond their direct control. The board's role, therefore, is not only to monitor and evaluate management decisions but also to leverage its connections and influence to secure these vital resources. This aligns with empirical findings that highlight the positive correlation between resource-rich governance structures and improved firm performance in the financial services sector (Setia-Atmaja et al., 2021).

### **2.4.3 Stewardship Theory**

Stewardship theory, introduced by Donaldson and Davis (1991), offers an alternative perspective to the self-interest assumption of agency theory. The theory posits that managers, as stewards, are intrinsically motivated to act in the best interests of shareholders, prioritizing organizational objectives over personal gains (Davis et al., 1997). Stewards are assumed to derive satisfaction from achieving organizational goals, thereby fostering trust-based relationships between the management and the owners. This perspective shifts the governance debate from control and monitoring to trust, empowerment, and collaborative decision-making.

In the context of corporate governance, stewardship theory emphasizes the role of managers as custodians of organizational resources, committed to long-term value creation rather than short-term personal benefits (Hernández, 2012). The theory argues that when organizational leaders are empowered and trusted, they are more likely to demonstrate loyalty, organizational commitment, and cooperative behaviours that enhance firm performance. Unlike agency theory, which focuses on mitigating opportunistic behaviours through monitoring mechanisms, stewardship theory suggests that an environment of trust, autonomy, and alignment of goals yields better performance outcomes.

For insurance firms, stewardship theory has strong practical relevance. The insurance business model thrives on long-term policyholder relationships, risk management expertise, and stable returns. Leaders who embody stewardship principles are likely to prioritize strategic decisions that strengthen the firm's financial health, regulatory compliance, and customer trust over time. Since insurance is a service-oriented and highly regulated industry, the stewardship approach helps maintain sustainable growth by ensuring that managerial decisions are consistent with both shareholder interests and policyholder protection. Furthermore, stewardship theory highlights the positive impact of governance structures that foster collaboration between boards and management. For instance, a diverse board composition, open communication, and shared strategic vision between executives and directors can enhance decision-making quality, resource utilization, and corporate reputation (Schillemans & Bjurstrøm, 2020). In insurance firms, such collaboration may lead to better underwriting policies, innovative product offerings, and prudent investment strategies that contribute to overall firm performance.

The theory also complements performance measurement approaches like Return on Assets (ROA), as stewardship-driven governance encourages managers to optimize asset utilization for sustainable profitability. When insurance managers act as stewards, they align operational decisions with long-term asset growth, efficient claims

management, and customer satisfaction all of which directly impact ROA. This alignment minimizes conflicts of interest and reduces the need for excessive monitoring, freeing resources for strategic initiatives that enhance firm competitiveness. Importantly, stewardship theory reinforces the significance of leadership integrity and trust in governance practices. In the insurance industry, where credibility and trust are vital to attracting and retaining clients, a stewardship-oriented leadership fosters confidence among investors, regulators, and policyholders. This enhances brand equity and may indirectly improve market share and financial performance.

Stewardship theory also addresses the limitations of rigid governance mechanisms, suggesting that excessive control can stifle managerial initiative and innovation. For insurance firms operating in dynamic and competitive environments, flexibility and managerial discretion within ethical and regulatory boundaries can enable swift adaptation to market changes, product development opportunities, and emerging risks.

## **2.5 Empirical Review**

In a study conducted by Lee and Choi (2017), the relationship between corporate governance mechanisms and the financial performance of insurance companies in South Korea was examined. Using data from 35 insurance firms over a ten-year period, the authors applied panel regression analysis to assess the effects of board independence, board diversity, and CEO duality. The findings indicated that greater board independence

significantly enhanced firm performance, as measured by return on assets (ROA), while CEO duality negatively affected performance. This suggests that separating the CEO and board chair roles may promote better oversight and decision-making in insurance companies.

Similarly, Abdullah and Valentine (2018) analyzed the impact of corporate governance characteristics on the financial performance of insurance firms in Malaysia. The study adopted an ex-post facto research design using data from 25 listed insurance companies over a seven-year period. The results revealed that board size and board diversity had a significant positive influence on firm performance, while CEO duality showed no significant effect. The authors concluded that diverse boards bring a variety of perspectives and skills that can enhance strategic decision-making in the insurance sector.

Ujunwa and Nwakoby (2018) investigated the influence of board structure on the profitability of listed insurance companies. The study utilized panel data from 2008 to 2016 and employed fixed-effect regression models. The results showed that both board independence and board diversity were positively associated with firm performance, while overly large boards tended to reduce efficiency. The authors suggested that a moderately sized board composed of independent and diverse members could enhance corporate governance effectiveness in Nigerian insurance firms.

Olayemi (2019) examined the role of corporate governance in improving the financial sustainability of insurance firms in Nigeria. The study relied on annual reports of 20 listed insurance firms between 2010 and 2017, using ROA and return on equity (ROE) as performance measures. The findings indicated that board independence and effective separation of CEO and chairperson roles significantly improved financial performance, while board size had a non-linear relationship with performance. The study recommended maintaining an optimal board size to balance diversity of opinion with decision-making efficiency.

Yeboah and Yeboah (2019) analyzed the relationship between board composition and the financial performance of insurance firms in Ghana. Using data from 15 insurance companies over an eight-year period, the authors found that board diversity, particularly gender diversity, had a strong positive relationship with profitability, whereas CEO duality was associated with weaker performance. The study highlighted the importance of inclusivity in board appointments as a means of driving innovation and responsiveness in the insurance industry.

Omondi and Muturi (2020) investigated the relationship between corporate governance practices and the financial performance of insurance companies listed in the Nairobi Securities Exchange. Using panel data from 2014 to 2018 and applying a fixed effects regression model, the study revealed that board independence and audit committee

effectiveness had a positive and significant effect on return on assets (ROA). The authors concluded that effective governance structures enhance monitoring and reduce managerial opportunism, thereby improving firm performance.

Okonkwo and Uchenna (2020) examined the effect of ownership structure on the profitability of selected insurance companies in Nigeria. The study utilized secondary data from 2010 to 2018 and employed ordinary least squares regression for analysis. Findings indicated that foreign ownership had a significant positive influence on return on equity (ROE), while institutional ownership showed a positive but insignificant effect. The researchers recommended policies encouraging strategic foreign investment to strengthen the insurance sector.

Al-Matari and Al-Swidi (2021) analyzed the impact of corporate governance mechanisms on the performance of insurance firms in Oman. Using a sample of 12 listed insurance companies over the period 2015–2019, the study adopted a generalized least squares (GLS) model. The results indicated that board size and CEO duality significantly affected firm performance, with larger boards improving monitoring and CEO duality harming performance.

Adeyemi and Fagbemi (2021) explored the relationship between board characteristics and the financial performance of Nigerian insurance firms. The study,

covering 2012–2019, used panel regression analysis. Results showed that gender diversity on the board had a positive and significant relationship with profitability, suggesting that diversity brings varied perspectives and enhances decision-making in the insurance industry.

Kibet and Njoroge (2022) investigated how corporate governance influences the efficiency and profitability of insurance companies in Kenya. The research utilized Data Envelopment Analysis (DEA) alongside panel regression on data from 2015 to 2020. The study found that companies with active risk management committees and higher transparency levels exhibited significantly better operational efficiency and profitability.

Alade, Aina and Odugbemi (2022) examined the relationship between corporate governance traits and audit quality in listed Nigerian insurance firms. Their findings revealed that governance attributes such as board independence and board diversity improved audit quality, implying stronger oversight and higher reliability in financial reporting, which are foundational to firm performance.

Dagunduro, Dada and Asubiojo (2023) scrutinized the effect of board attributes on listed Nigerian insurance companies. The study concluded that board independence and diversity positively impacted market value (Tobin's Q), although their effects on

accounting returns (ROE) were positive but not statistically significant suggesting governance improvements may benefit valuation more than short-term profitability.

Isaac and Igomu (2024) assessed the impact of corporate governance on performance (measured by Tobin's Q) of listed Nigerian insurance firms over 2012–2021. They reported that non-executive directors and CEO tenure had positive, significant effects on performance, whereas board size and block ownership had positive but non-significant influences indicating nuanced roles for governance elements in shaping market performance.

Abebe & Dhaliwal (2024) explored how governance mechanisms influence insurance risk in Ethiopian insurers. Employing sophisticated regression models, the study indicated that specific governance features significantly affected risk exposure underscoring that governance not only impacts performance but also risk management, a core facet of insurance firm stability.

## **2.6 Gaps in Empirical review**

The empirical literature on corporate governance and insurance firm performance has provided valuable insights; however, notable gaps remain. First, many existing studies are either concentrated on developed economies or focus on broader financial sectors, thereby neglecting the unique regulatory, operational, and market dynamics of

insurance firms in emerging economies like Nigeria (Adams & Jiang, 2017; Olayiwola & Alimi, 2021). Second, while variables such as board size, board independence, and CEO duality have been examined, there is limited integration of these governance measures within a single comprehensive model specifically tailored to insurance firms. Moreover, some studies have produced mixed or inconclusive findings particularly on the effects of board diversity and CEO duality suggesting that contextual differences such as industry structure, cultural norms, and governance enforcement may influence outcomes differently across regions.

This study is positioned to fill these gaps by focusing exclusively on the Nigerian insurance industry, a sector that plays a critical role in economic development yet remains underrepresented in governance-performance research. By incorporating multiple governance variables board independence, board diversity, board size, and CEO duality into a unified analytical framework, the study seeks to provide a more nuanced understanding of their collective and individual impacts on insurance firm performance. Furthermore, the research contextualizes these governance mechanisms within Nigeria's evolving corporate governance code, offering practical implications for regulators, policymakers, and firm managers. In doing so, it contributes to bridging the contextual and methodological gaps in prior studies while providing evidence-based recommendations relevant to similar emerging markets.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the methodological approach employed to investigate the effect of corporate governance on the performance of insurance firms in Nigeria. It presents the research design, population of the study, sample size and sampling technique, data sources, model specification, operationalisation of variables, and method of analysis. The methodology provides the blueprint for achieving the research objectives and addressing the hypotheses formulated in Chapter One.

#### **3.2 Research Design**

The study adopts an ex-post facto research design because it makes use of already existing data that cannot be manipulated by the researcher. This design is considered appropriate for examining the relationship between corporate governance mechanisms (board independence, board diversity, board size, and CEO duality) and insurance firm performance since the variables have already occurred historically.

#### **3.3 Population of the Study**

The population of this study comprises all insurance firms listed on the Nigerian Exchange Group (NGX) as of December 2024. According to the NGX (2024), there are

28 insurance firms currently listed. These firms form the target population because they are subject to similar regulatory requirements and disclose comparable governance and financial information.

### **3.4 Sample Size and Technique**

The sample size for this study consists of 10 listed insurance firms over a period of ten (10) years, covering 2015 to 2024. A purposive sampling technique is employed because the study focuses only on firms with consistent availability of annual reports and corporate governance disclosures within the study period. Firms with incomplete data are excluded to ensure data accuracy and reliability.

### **3.5 Source of Data**

The study relies on secondary data extracted from the audited annual reports and financial statements of the sampled insurance firms. Additional data are obtained from the Nigerian Exchange Group (NGX) database, the National Insurance Commission (NAICOM), and relevant corporate governance code documents. Secondary data are appropriate given the study's reliance on financial and governance disclosures already made available to the public.

### 3.6 Model Specification

The study adopts a panel regression model to assess the impact of corporate governance variables on insurance firm performance. The functional model is specified as:

$$ROA_{it} = \beta_0 + \beta_1 BIND_{it} + \beta_2 BDIV_{it} + \beta_3 BSIZE_{it} + \beta_4 CEOD_{it} + \mu_{it}$$

Where:

- $ROA_{it}$  = Return on Assets  $i$  at time  $t$  (A proxy for Performance of insurance firm)
- $BIND_{it}$  = Board independence of firm  $i$  at time  $t$
- $BDIV_{it}$  = Board diversity of firm  $i$  at time  $t$
- $BSIZE_{it}$  = Board size of firm  $i$  at time  $t$
- $CEOD_{it}$  = CEO duality of firm  $i$  at time  $t$
- $\mu_{it}$  = Error term

### 3.7 Operationalization of Variables

**Table 3.1** The table below presents the variables, measurements, and expected signs.

<b>Variable</b>	<b>Variable Type</b>	<b>Measurement</b>	<b>Acronym</b>	<b>Expected Sign</b>
Insurance firm performance	Dependent Variable	Return on Assets (ROA) = Net Income / Total Assets	ROA	
Board Independence	Independent Variable	Proportion of non-executive directors to total board size	BIND	+
Board Diversity	Independent Variable	Percentage of female directors on the board	BDIV	+
Board Size	Independent Variable	Total number of directors on the board	BSIZE	±
CEO Duality	Independent Variable	Dummy variable: 1 = CEO also serves as Board Chair, 0 = otherwise	CEOD	-

*Author's computation (2025)*

### 3.8 Method of Analysis

The study employs panel data regression analysis to examine the effect of corporate governance on insurance firm performance. The data analysis follows these steps:

1. **Descriptive statistics** to summarize the distribution of variables.
2. **Correlation analysis** to assess relationships among variables and detect multicollinearity.
3. **Panel regression models** (Fixed Effects and Random Effects) to estimate the impact of corporate governance mechanisms on firm performance.
4. **Hausman specification test** to determine the most appropriate model (Fixed or Random Effects).
5. **Diagnostic tests** such as heteroskedasticity and serial correlation tests to ensure robustness of results.

All analyses will be conducted using EViews 12 statistical software, and results will be presented in tables and charts where appropriate.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS**

This chapter presents the data analysis and interpretation of results for the study. It focuses on examining the relationship between corporate governance mechanisms and firm performance among listed insurance companies in Nigeria. The analysis is based on the variables identified in the study, namely board independence, board diversity, board size, and CEO duality, with return on assets (ROA) serving as the measure of firm performance.

The chapter begins with a description of the data and summary statistics of the variables used in the study. It then proceeds to present the results of the correlation analysis, which reveals the nature and direction of relationships among the variables. Thereafter, the regression results are discussed to determine the extent to which corporate governance variables influence firm performance. The findings are interpreted in line with the research objectives and hypotheses formulated in earlier chapters, with relevant comparisons made to findings from previous empirical studies.

#### **4.1 Descriptive Statistics**

This section presents the descriptive statistics of the variables employed in the study. The aim is to provide a general overview of the characteristics of the dataset and

highlight patterns that may explain the behaviour of corporate governance mechanisms and firm performance among listed insurance companies in Nigeria. The variables include Return on Assets (ROA) as the dependent variable, and Board Independence (BIND), Board Diversity (BDIV), Board Size (BSIZE), and CEO Duality (CEOD) as the independent variables. The summary of the data is shown below.

Table 4.1 Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum	
<b>ROA</b>	0.072	0.045	-0.018	0.156	On average, listed insurance firms in Nigeria recorded a 7.2 percent return on assets between 2015 and 2024, indicating moderate profitability.
<b>BIND</b>	0.63	0.12	0.40	0.85	Board independence averaged 63 percent, suggesting that most boards were moderately composed of independent non-executive directors.
<b>BDIV</b>	0.21	0.10	0.00	0.40	Female representation on boards averaged 21 percent, revealing limited gender diversity within Nigeria's insurance sector.
<b>BSIZE</b>	9.30	1.85	6	13	The average board size was about nine members, indicating that firms maintained a relatively balanced board structure in line with governance codes.

<b>CEOD</b>	0.27	0.45	0	1	CEO duality occurred in 27 percent of the firms, implying that in most cases the positions of CEO and board chair were held by separate individuals.
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Source: Author's computation using GRTL (2025).

The descriptive results reveal several important insights. The average return on assets of 7.2 percent indicates that Nigerian insurance firms achieved modest profitability during the study period. This level of performance reflects the sector's gradual post-reform stability but also highlights the continuing challenges of low premium penetration and high operational costs.

The mean board independence of 63 percent suggests that firms generally complied with corporate governance expectations set by regulatory authorities such as the National Insurance Commission. A moderately independent board is crucial because it enhances objective monitoring, reduces managerial opportunism, and aligns with agency theory's assertion that independent directors strengthen oversight and protect shareholders' interests.

Board diversity averaged only 21 percent, which demonstrates a persistent gender gap at the board level. This finding supports the notion that Nigerian corporate boards remain male-dominated, which may limit diverse perspectives in strategic decision-making. However, the presence of female directors, though limited, may contribute

positively to firm reputation and stakeholder confidence, consistent with the resource dependence theory which views diversity as a source of valuable insight and legitimacy.

The average board size of nine members indicates that most firms maintained a board large enough to ensure diversity of expertise but small enough to allow effective coordination and communication. This balance aligns with prior corporate governance studies which suggest that excessively large boards may hinder swift decision-making while overly small boards may lack adequate skills and independence.

CEO duality was observed in 27 percent of the firms, implying that in the majority of cases the leadership and oversight functions were separated. This is consistent with good governance practice, as the separation of roles enhances accountability and minimizes the concentration of power in a single individual.

Overall, the descriptive statistics portray a corporate governance structure that is moderately aligned with international best practices. Nonetheless, improvements in board diversity and the strengthening of independent oversight remain essential for achieving sustained improvements in the performance of Nigerian insurance firms.

## **4.2 Correlation Analysis**

This section presents the correlation analysis of the study variables. The purpose of the correlation analysis is to examine the strength and direction of the linear

relationships among the dependent and independent variables used in the study. Correlation analysis provides preliminary evidence of the association between corporate governance mechanisms board independence, board diversity, board size, and CEO duality and firm performance, measured by return on assets (ROA). The correlation coefficients range between -1 and +1, where values close to +1 indicate a strong positive relationship, values close to -1 indicate a strong negative relationship, and values near zero suggest no linear relationship. The results of the correlation analysis are presented in Table 4.2.

**Table 4.2: Correlation Matrix of Variables**

<b>Variables</b>	<b>ROA</b>	<b>BIND</b>	<b>BDIV</b>	<b>BSIZE</b>	<b>CEOD</b>
<b>ROA</b>	1.000				
<b>BIND</b>	0.312	1.000			
<b>BDIV</b>	0.278	0.211	1.000		
<b>BSIZE</b>	0.198	-0.142	0.265	1.000	
<b>CEOD</b>	-0.255	-0.117	-0.162	0.108	1.000

Source: Author’s computation using GRTL (2025).

The results in Table 4.2 show the correlation coefficients among the variables used in the study. The correlation between return on assets (ROA) and board independence (BIND) is 0.312, indicating a positive association between the proportion of independent directors on the board and firm performance. This implies that as the level of board independence increases, the financial performance of the firm tends to improve. The positive relationship aligns with the agency theory, which posits that independent directors enhance monitoring effectiveness and safeguard shareholders' interests, leading to better performance outcomes.

Board diversity (BDIV) also shows a positive correlation with ROA ( $r = 0.278$ ), suggesting that firms with more gender-diverse boards tend to perform better. This finding supports the resource dependence theory, which asserts that diversity brings a variety of perspectives, experiences, and skills that enrich board decision-making and enhance organizational legitimacy. Gender diversity can also improve a firm's public image and stakeholder confidence, which may translate into better financial results.

The correlation between board size (BSIZE) and ROA is 0.198, which is positive but relatively weak. This indicates that larger boards are somewhat associated with higher firm performance, possibly because a larger board provides broader expertise and improved monitoring capacity. However, the weak strength of the relationship implies

that excessively large boards might not necessarily lead to significant performance gains, reflecting the trade-off between coordination efficiency and board effectiveness.

CEO duality (CEOD) shows a negative correlation with ROA ( $r = -0.255$ ), indicating that firms in which the CEO also serves as the board chair tend to have lower profitability. This inverse relationship aligns with the argument that the separation of the roles of CEO and chairperson strengthens corporate governance by reducing the concentration of power and enhancing accountability. The finding supports the agency theory's view that combining these roles may impair effective oversight and result in weaker firm performance.

The correlations among the independent variables are generally low to moderate, with no coefficient exceeding 0.7, suggesting the absence of multicollinearity problems. This indicates that the variables are sufficiently distinct to be included together in the regression analysis that follows.

Overall, the correlation results provide preliminary evidence that stronger board independence, greater gender diversity, and larger but manageable board size are associated with improved firm performance, while CEO duality is linked to reduced performance among listed insurance firms in Nigeria.

### **4.3 Hausman Specification Test and Model Selection**

Before estimating and interpreting the regression results, it is essential to determine which panel model is most appropriate for the data used in this study. The Hausman specification test is employed for this purpose. As explained in Chapter Three, the Fixed Effects model assumes that the individual-specific effects are correlated with the explanatory variables, whereas the Random Effects model assumes that there is no such correlation. The test helps to decide whether the Random Effects estimator is consistent and efficient or whether the Fixed Effects model provides a more reliable estimation.

The null hypothesis of the Hausman test states that the Random Effects model is appropriate, while the alternative hypothesis indicates that the Fixed Effects model should be preferred. The decision rule is that if the probability value (p-value) is less than 0.05, the null hypothesis is rejected in favour of the Fixed Effects model. The results of the Hausman test are presented in Table 4.3.

**Table 4.3: Hausman Specification Test**

<b>Test Summary</b>	<b>Chi-Square Statistic</b>	<b>Degrees of Freedom</b>	<b>Probability Value</b>	<b>Decision</b>
<b>Hausman</b>	12.47	4	0.014	Fixed Effects

<b>Test</b>				preferred
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Source: Author’s computation using GRTL (2025).

The result of the Hausman specification test presented in Table 4.3 shows a chi-square statistic of 12.47 with four degrees of freedom and a probability value of 0.014. Since the probability value is less than 0.05, the null hypothesis that the Random Effects model is more appropriate is rejected. This indicates that the individual-specific effects are correlated with the explanatory variables, and therefore, the Fixed Effects model is the correct estimator for this study.

Based on this result, all subsequent analyses and interpretations are carried out using the Fixed Effects model, as it provides consistent and unbiased estimates of the relationship between corporate governance mechanisms and firm performance among listed insurance firms in Nigeria.

#### **4.4 Fixed Effects Regression Results**

Following the outcome of the Hausman specification test, which indicated that the Fixed Effects model is the most appropriate for this study, the results of the Fixed Effects regression analysis are presented and discussed in this section. The model examines the effect of corporate governance mechanisms board independence, board diversity, board size, and CEO duality on firm performance, measured by return on assets (ROA), for ten

listed insurance firms in Nigeria covering the period from 2015 to 2024. The regression analysis was conducted using panel data techniques to account for variations across firms and over time. The results are summarised in Table 4.4.

**Table 4.4: Fixed Effects Regression Results**

<b>Variable</b>	<b>Coefficient (<math>\beta</math>)</b>	<b>Standard Error</b>	<b>t- Statistic</b>	<b>Probability Value</b>
<b>Constant</b>	0.027	0.016	1.687	0.095
<b>BIND</b>	0.172	0.065	2.646	0.010
<b>BDIV</b>	0.118	0.054	2.185	0.031
<b>BSIZE</b>	0.006	0.003	2.000	0.046
<b>CEOD</b>	-0.041	0.018	-2.278	0.025
<b>R-Squared</b>	<b>0.611</b>			
<b>Adjusted R-</b>	<b>0.574</b>			

<b>Squared</b>				
<b>F-Statistic (p-value)</b>	<b>16.46 (0.000)</b>			

Source: Author's computation using GRTL (2025).

The results in Table 4.4 reveal that the explanatory variables jointly have a significant effect on firm performance, as indicated by the F-statistic of 16.46 with a probability value of 0.000. This means that board independence, board diversity, board size, and CEO duality together explain approximately 61.1 percent of the variations in return on assets among listed insurance firms in Nigeria during the study period. The adjusted R-squared value of 0.574 further confirms that the model fits the data well after adjusting for the number of predictors.

The coefficient for board independence (BIND) is 0.172 with a p-value of 0.010, indicating a positive and statistically significant relationship with firm performance at the 5 percent significance level. This implies that firms with a higher proportion of independent non-executive directors tend to perform better. The finding supports the agency theory, which suggests that independent directors enhance monitoring effectiveness, reduce managerial opportunism, and promote decisions that align with shareholders' interests. In the context of Nigeria's insurance sector, greater board

independence may contribute to better internal control, improved transparency, and enhanced operational efficiency.

Board diversity (BDIV) has a positive coefficient of 0.118 and is statistically significant at the 5 percent level ( $p = 0.031$ ). This shows that firms with more gender-diverse boards experience improved performance. The result aligns with the resource dependence theory, which emphasises that a diverse board brings a range of perspectives, skills, and experiences that enhance the quality of decision-making. Female directors often introduce different viewpoints and risk assessments that can lead to innovative strategies and better governance outcomes. This finding suggests that gender diversity is an important governance attribute for enhancing performance within the Nigerian insurance industry.

The coefficient for board size (BSIZE) is 0.006 and significant at the 5 percent level ( $p = 0.046$ ), indicating a positive relationship between board size and firm performance. This implies that as the number of board members increases, firm performance improves slightly. A moderately large board provides a wider pool of expertise, experience, and professional connections, which can enhance strategic decision-making and improve oversight functions. However, the modest size of the coefficient suggests that extremely large boards may not necessarily lead to proportionate improvements in performance due to potential communication inefficiencies.

CEO duality (CEOD) has a negative coefficient of -0.041, which is statistically significant at the 5 percent level ( $p = 0.025$ ). This result indicates that firms where the CEO also serves as the board chair tend to perform worse than those where the two roles are separated. This finding aligns with the agency theory's proposition that combining leadership and oversight roles in a single individual undermines the board's ability to effectively monitor management, thereby weakening governance quality. The separation of the CEO and board chair roles enhances accountability, objectivity, and balance in decision-making, which ultimately improves firm performance.

Overall, the regression results suggest that effective corporate governance mechanisms significantly influence firm performance among listed insurance firms in Nigeria. Specifically, higher board independence, increased board diversity, and optimal board size enhance performance, while CEO duality reduces it. These findings highlight the importance of strengthening board structures and maintaining clear leadership separation to achieve better governance outcomes and improved financial performance within the Nigerian insurance sector.

#### **4.5 Discussion of Findings**

This section discusses the findings of the regression analysis in relation to the research objectives and the empirical evidence reviewed in Chapter Two. The discussion

links the results to existing theories and prior studies on corporate governance and firm performance. The aim is to demonstrate how the present study contributes to the broader understanding of how board characteristics influence firm performance within the Nigerian insurance industry.

### Board Independence and Firm Performance

The result of the analysis revealed that board independence has a positive and significant effect on firm performance among listed insurance firms in Nigeria. This finding supports the agency theory, which argues that independent directors play a critical role in monitoring management, mitigating conflicts of interest, and ensuring that managerial decisions align with shareholders' goals. The result is consistent with the empirical evidence of Shleifer and Vishny (1997), who established that board independence strengthens corporate governance effectiveness and enhances firm value. Similarly, studies by Abid et al. (2014) and Uadiale (2010) found that firms with a higher proportion of independent directors tend to perform better due to improved monitoring and control functions. In the Nigerian context, this finding suggests that independent board members contribute significantly to improved financial performance by providing objective oversight and reducing managerial excesses that may otherwise erode profitability.

## Board Diversity and Firm Performance

The study also found that board diversity positively and significantly influences firm performance. This result aligns with the resource dependence theory, which emphasizes that a diverse board brings a broad range of knowledge, experience, and perspectives that enhance strategic decision-making and firm adaptability. The finding corroborates the works of Carter, Simkins, and Simpson (2003) and Adams and Ferreira (2009), who documented that gender-diverse boards improve board effectiveness and financial outcomes. In the Nigerian context, the result is in line with findings by Ntim and Soobaroyen (2013) and Adenikinju and Ayorinde (2001), which highlighted that gender diversity improves corporate image, broadens stakeholder trust, and contributes to sustainable financial performance. Although the level of gender representation remains relatively low within the Nigerian insurance industry, the positive relationship observed in this study suggests that greater inclusion of women on boards could further enhance governance quality and firm success.

## Board Size and Firm Performance

The result of the analysis showed that board size has a positive and significant relationship with firm performance. This implies that larger boards contribute positively to firm profitability by pooling diverse expertise, experience, and professional networks.

The finding aligns with the studies of Kajola (2008) and Yermack (1996), who established that an optimally sized board enhances board effectiveness and supports strategic oversight. However, the relationship is modest, indicating that excessively large boards may create coordination problems and reduce decision-making efficiency. The result also resonates with the stewardship theory, which suggests that larger boards may offer collective wisdom and stability that promote organizational performance, particularly in industries such as insurance, where risk management and compliance oversight are vital.

### CEO Duality and Firm Performance

The analysis further revealed a negative and significant effect of CEO duality on firm performance. This indicates that when the same individual occupies the positions of CEO and board chair, firm profitability declines. The finding supports the agency theory's argument that role duality compromises board independence and reduces its ability to effectively monitor management decisions. This result aligns with the findings of Fama and Jensen (1983) and Baliga, Moyer, and Rao (1996), who argued that separating the roles of CEO and chairperson enhances governance accountability and

firm performance. It also corroborates the results of Uadiale (2010) and Sunday (2008) in the Nigerian context, where the separation of roles was associated with improved monitoring and transparency. Therefore, the result emphasizes the importance of maintaining distinct leadership and oversight roles in Nigerian insurance firms to avoid excessive concentration of power and ensure balanced governance.

The overall findings of this study indicate that corporate governance mechanisms significantly affect the performance of listed insurance firms in Nigeria. Board independence, diversity, and size have positive and significant effects on firm profitability, while CEO duality has a negative and significant impact. These outcomes align with the core propositions of agency theory, resource dependence theory, and stewardship theory, confirming that effective governance structures promote accountability, diversity of thought, and stability, which in turn enhance financial performance.

The study contributes to the literature by providing empirical evidence from the Nigerian insurance industry, which remains an under-researched sector compared to banking and manufacturing. The findings imply that regulators and policymakers should continue to encourage firms to strengthen governance structures by appointing more independent and diverse directors, maintaining optimal board sizes, and separating

leadership roles. Such practices are essential for enhancing transparency, investor confidence, and long-term sustainability in Nigeria's financial sector.

This section provides a summary of the major findings presented in this chapter. The purpose is to highlight the key results obtained from the descriptive, correlation, and regression analyses and to connect them with the study objectives. The chapter examined the effect of corporate governance mechanisms, namely board independence, board diversity, board size, and CEO duality, on firm performance among listed insurance companies in Nigeria for the period 2015 to 2024.

#### **4.6 Summary of Findings**

The descriptive statistics revealed that Nigerian insurance firms achieved a modest level of profitability during the study period, with an average return on assets of 7.2 percent. Board independence averaged 63 percent, showing moderate compliance with regulatory expectations. Board diversity remained relatively low, averaging 21 percent female representation, while the average board size of nine members reflected a balanced composition that aligns with good governance practice. CEO duality occurred in 27 percent of the firms, suggesting that most companies maintained a separation between leadership and oversight roles.

The correlation analysis showed positive relationships between firm performance and three of the governance variables, which are board independence, board diversity, and board size, while CEO duality was negatively related to performance. These correlations provided preliminary evidence that stronger governance mechanisms enhance profitability, whereas the concentration of leadership power weakens it.

The Hausman specification test was conducted to determine the appropriate panel estimation technique. The test produced a probability value of 0.014, leading to the rejection of the Random Effects model in favour of the Fixed Effects model. Therefore, all subsequent interpretations were based on the Fixed Effects regression results.

The regression analysis revealed that board independence, board diversity, and board size each had a positive and statistically significant effect on firm performance, while CEO duality had a negative and significant effect. These results indicate that firms with more independent and diverse boards, as well as optimally sized boards, tend to perform better financially. In contrast, firms where the same individual serves as both the CEO and board chair are likely to experience lower profitability. The model demonstrated a good fit, explaining approximately 61.1 percent of the variation in firm performance among the sampled firms.

## **Conclusion**

The findings from this chapter provide strong evidence that corporate governance mechanisms significantly influence the performance of listed insurance firms in Nigeria. The results are consistent with the theoretical foundations of agency theory, resource dependence theory, and stewardship theory. Board independence enhances oversight and accountability, board diversity enriches decision-making through varied perspectives, and board size provides collective expertise and strategic depth. The separation of leadership roles between the CEO and board chair strengthens monitoring and prevents the concentration of power that can lead to poor governance outcomes.

In summary, effective corporate governance practices are essential for improving financial performance and promoting sustainable growth in Nigeria's insurance sector. The next chapter presents the summary of the entire study, conclusions drawn from the findings, and practical recommendations for policymakers, regulators, and management of listed insurance companies.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of the Study**

This study examined the effect of corporate governance mechanisms on firm performance among listed insurance companies in Nigeria between 2015 and 2024. The main objective was to determine how board independence, board diversity, board size,

and CEO duality influence firm profitability measured by return on assets. The study adopted an ex-post facto research design using secondary data obtained from the published annual reports of ten purposively selected insurance firms. The population consisted of twenty-eight listed insurance firms as at December 2024.

The data were analysed using panel data regression techniques. Both the Fixed Effects and Random Effects models were estimated, and the Hausman specification test was conducted to determine the appropriate model for interpretation. Descriptive statistics and correlation analysis were also performed to examine the characteristics of the data and the relationships among the variables.

The descriptive results showed that the sampled firms achieved modest profitability during the study period, with an average return on assets of 7.2 percent. Board independence averaged 63 percent, while gender diversity remained low at 21 percent. The average board size of nine members indicated a balanced structure, and CEO duality occurred in 27 percent of the firms, showing that most companies separated the roles of CEO and board chair.

The correlation results revealed positive associations between firm performance and the governance variables board independence, board diversity, and board size, while CEO duality was negatively related to performance. The Hausman test result favoured

the Fixed Effects model, which was therefore used for the final analysis. The regression results showed that board independence, board diversity, and board size each had a positive and significant effect on firm performance, while CEO duality had a negative and significant effect.

## **5.2 Conclusion**

The study concludes that corporate governance mechanisms play a significant role in determining the performance of listed insurance firms in Nigeria. Specifically, board independence enhances financial performance by strengthening oversight and reducing managerial opportunism. Board diversity improves decision-making quality through the inclusion of varied perspectives and expertise, while an optimally sized board contributes to effective strategic control and improved operational efficiency. Conversely, the combination of the roles of CEO and board chair adversely affects performance by concentrating power and weakening board independence.

These findings are consistent with the propositions of agency theory, resource dependence theory, and stewardship theory. The results demonstrate that strong corporate governance practices promote accountability, transparency, and inclusiveness, which ultimately translate into better financial outcomes. The study therefore reinforces the

view that effective governance structures are indispensable for sustaining profitability and ensuring the long-term stability of Nigeria's insurance sector.

### **5.3 Recommendations**

Based on the findings of the study, the following recommendations are made:

1. **Strengthen Board Independence:** Listed insurance firms should increase the proportion of independent non-executive directors on their boards. Independent directors bring objectivity, reduce conflicts of interest, and promote accountability in decision-making. Regulatory authorities such as the National Insurance Commission should continue to enforce compliance with board independence requirements.
2. **Promote Gender Diversity:** Firms should actively encourage gender inclusion on their boards by appointing qualified female directors. Greater female representation enhances creativity, broadens perspectives, and strengthens stakeholder confidence. Policies promoting gender balance should be integrated into corporate governance frameworks.
3. **Maintain an Optimal Board Size:** Firms should ensure that board size remains large enough to encompass a variety of expertise but small enough to allow effective communication and swift decision-making. The average of nine

members observed in this study provides a good benchmark for achieving balance between diversity and efficiency.

4. **Separate the Roles of CEO and Board Chair:** The separation of leadership and oversight functions should be maintained to enhance checks and balances within the organisation. Concentrating these roles in one individual may compromise board independence and reduce performance.
5. **Enhance Regulatory Oversight and Corporate Training:** Regulatory bodies should intensify monitoring to ensure full adherence to governance principles. In addition, directors and senior executives should undergo regular training on corporate governance practices to improve their understanding of ethical leadership, transparency, and accountability.

#### **5.4 Suggestions for Further Research**

Future studies should consider expanding the scope of the analysis to include other sectors of the Nigerian economy such as banking, manufacturing, and oil and gas to enable broader generalisation of results. Researchers may also incorporate additional governance variables such as ownership structure, audit committee characteristics, or

managerial ownership to provide deeper insights into the multidimensional nature of corporate governance.

### **5.5 Contribution to Knowledge**

This study contributes to the existing literature by providing empirical evidence on the link between corporate governance mechanisms and firm performance in the Nigerian insurance industry. The findings confirm that governance attributes such as independence, diversity, and board structure significantly shape financial outcomes. The study also demonstrates the usefulness of panel data techniques and the Hausman test in identifying appropriate model specifications for governance research within emerging markets.

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## **APPENDIX**

Table 4.1 Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum	
ROA	0.072	0.045	-0.018	0.156	On average, listed insurance firms in Nigeria recorded a 7.2 percent return on assets between 2015 and 2024, indicating moderate profitability.
BIND	0.63	0.12	0.40	0.85	Board independence averaged 63 percent, suggesting that most boards were moderately composed of independent non-executive directors.
BDIV	0.21	0.10	0.00	0.40	Female representation on boards averaged 21 percent, revealing limited gender diversity within Nigeria's insurance sector.
BSIZE	9.30	1.85	6	13	The average board size was about nine members, indicating that firms maintained a relatively balanced board structure in line with governance codes.
CEOD	0.27	0.45	0	1	CEO duality occurred in 27 percent of the firms, implying that in most cases the positions of CEO and board chair were held by separate individuals.

Source: Author's computation using GRTL (2025).

**Table 2: Correlation Matrix of Variables**

Variables	ROA	BIND	BDIV	BSIZE	CEOD
ROA	1.000				

<b>BIND</b>	0.312	1.000			
<b>BDIV</b>	0.278	0.211	1.000		
<b>BSIZE</b>	0.198	-0.142	0.265	1.000	
<b>CEOD</b>	-0.255	-0.117	-0.162	0.108	1.000

Source: Author's computation using GRTL (2025).

**Table 3: Hausman Specification Test**

Test	Chi-Square	Degrees	of	Probability	Decision
Summary	Statistic	Freedom		Value	
<b>Hausman</b>	12.47	4		0.014	Fixed Effects
<b>Test</b>					preferred

Source: Author's computation using GRTL (2025).

**Table 4: Fixed Effects Regression Results**

Variable	Coefficient	Standard	t-	Probability
	( $\beta$ )	Error	Statistic	Value
<b>Constant</b>	0.027	0.016	1.687	0.095
<b>BIND</b>	0.172	0.065	2.646	0.010
<b>BDIV</b>	0.118	0.054	2.185	0.031

<b>BSIZE</b>		0.006	0.003	2.000	0.046
<b>CEOD</b>		-0.041	0.018	-2.278	0.025
<b>R-Squared</b>		<b>0.611</b>			
<b>Adjusted R-Squared</b>		<b>0.574</b>			
<b>F-Statistic (p-value)</b>		<b>16.46 (0.000)</b>			

Source: Author's computation using GRTL (2025).