

Wooldridge Test for Autocorrelation were done and the results presented in table III, IV and V in the appendix. In all cases except for the Modified Wald Test for Groupwise Heteroskedasticity the probability values were less than 0.05. This indicates that while cross-sectional dependence and serial correlation are present in the model heteroskedasticity was not a problem.

To cater for the cross-sectional dependence and serial correlation in the model the robust standard errors for panel regressions estimation was done. The result is shown in table 4.

Table 4: Random Effects Results of the Effect of CRR on ROA

Dependent Variable: ROA			
Independent Variable	Coefficient	Robust Standard Error	Probability
Cash Reserve Ratio	0.0451	0.0239	0.059
Constant	1.5292	0.5581	0.006
Number of Observations	45		
Wald Chi-Square Statistic	7.76		
Prob. (Wald Chi-Square)	0.0590		
R ²	0.0619		

Given that the probability value of the Wald Chi-Square test is 0.06, we conclude that at 10 per cent level of significance the changes in return on assets are explained by variations in cash reserve ratio. Furthermore, the result in table 4 shows that there exists a positive relationship between cash reserve ratio and return on assets. A 1 unit increase in the cash reserve ratio will raise the return on assets by 0.05 units. This findings agree with similar studies like Bawa et al (2018) and Uremadu (2012) reported a positive relationship between CRR and Return on Assets. This position was confirmed by Akanbi and Ajagbe (2012) and Onoh (2017) among banks in Nigeria.

CONCLUSION AND RECOMMEDATION

Conclusion

In conclusion, liquidity is crucial to the survival and sustainability of even well capitalized banks. When crises develop in a bank because of other problems such

as deterioration in asset quality, the time available to the bank to address the problem will be determined by liquidity in the form of money supply, therefore availability of money supply are amongst the most paramount concerns of banks. Central to this money supply is the regulatory reserve ratio as determined by Central Banks. Results from the study reveals that cash reserve ratio has a positive effect on Net Operating profits and Return on Assets, but a negative and insignificant effect on the Earnings per Share (EPS). Based on the premise of this findings, the study concludes, for Banks to be profitable they must be sufficient money supply which invariably allows the Banks to increase lending activities and investment in financial assets and hence more income for the Banks.

Recommendations

In line with the findings of this study, the following recommendations are made:

1. The study recommends that the Monetary Policy Committee (MPC) should set differential Cash Reserve Ratio (CRR) for Tier 1 Banks and others Banks in order to make more funds available to SIBs for advancing credit and investing in the economy for growth and development
2. A single rate regime for cash reserve ratio should be maintained for private and public deposits to allow consistency and free up more public sector deposit for lending. The double rate regime in operation 2013-2014 created significant illiquidity and invariably poor money supply impacting significantly on the profitability of these banks
3. Furthermore government through the CBN should set monetary policy rate (MPR) at optimum level as these would help to boost credit expansion, money supply and invariably profitability of Deposit Money Banks in Nigeria.
4. The Deposit Money Banks should harvest other alternative avenues of Money supply that do not come from customers deposits. Investment Banking, Pension fund management and Assets Management are other bespoke avenues that can be expanded to increase profitability.

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APPENDIX

Table I: Hausman Test Results

Models	Model of the Effect of CRR on EPS	Model of the Effect of CRR on NOPAT	Model of the Effect of CRR on ROA
FE Coefficient	0.0234	0.0784	0.0451
RE Coefficient	0.0234	0.0777	0.0451
Var (Diff.)	1.11 e-16	0.0007	0.000
SE	0.0091	0.0006	
Number of Observations	45	45	45
Hausman Statistic - Chi-square	0.00	1.28	0.00
Prob. (Chi-square)	1.0000	0.2580	1.0000

Table II: Results of the Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Models	Model of the Effect of CRR on EPS	Model of the Effect of CRR on NOPAT	Model of the Effect of CRR on ROA
Chi-square Statistic	0.00	6.50	63.90
Prob. (Chi-square)	1.0000	0.0054	0.0000

Table III: Result of the Breusch-Pagan LM test of cross-sectional independence

Models	Model of the Effect of CRR on EPS	Model of the Effect of CRR on NOPAT	Model of the Effect of CRR on ROA
Chi-square Statistic	39.932	32.505	22.990
Prob. (Chi-square)	0.0000	0.0003	0.0108

Table IV: Results of the Modified Wald Test for Groupwise Heteroskedasticity

Models	Model of the Effect of CRR on EPS	Model of the Effect of CRR on NOPAT	Model of the Effect of CRR on ROA
Chi-square Statistic	355.71	401.18	2.96
Prob. value	0.0000	0.0000	0.7064

Table V: Results of the Wooldridge Test for Autocorrelation

Models	Model of the Effect of CRR on EPS	Model of the Effect of CRR on NOPAT	Model of the Effect of CRR on ROA
F- Statistic	63.720	78.241	18.387
Prob. value	0.0013	0.0009	0.0128

EFFECTS OF FIRM CHARACTERISTICS ON FINANCIAL PERFORMANCE OF LISTED INSURANCE COMPANIES; EVIDENCE FROM NIGERIA.

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ABSTRACT

This study examined the effect of firm characteristics on financial performance of listed insurance companies in Nigeria from 2010-2018. The study used panel data generated from the annual reports of the twelve (12) listed insurance companies that were selected in Nigeria. There are several aspects and dimensions of firm characteristics, which may influence the financial performance of companies but this study focused on two aspect of firm characteristics namely, Premium Growth Rate (PGR) and Firm Size (FSZ), while the Return on Asset (ROA) is the surrogate for the financial performance. The structured panel data collected were analyzed using the multiple regression and correlation techniques in accordance with the research objectives. The analysis of the data revealed that; Firm size has positive and significant effect on the financial performance of listed insurance companies in Nigeria while premium growth rate has negative and significant effect on the financial performance of listed insurance companies in Nigeria. Based on these findings, the following recommendations are made; The growing

Introduction:

Insurance companies provide unique and specialized financial services to the growth and development of every economy in the world. According to Mwangi and Murigu (2015), such specialized and unique financial services ranges from the underwriting of risks inherent in economic entities and the mobilization of large amount of funds through premiums for long term investments. Also, a well-developed and evolved insurance industry is essential for economic development as it provides long-term funds for development (Charumathi,2012).

According to Onerkaya (2015), profit is the essential pre-requisite for the survival, growth and competitiveness of insurance companies and

influence of the increased size of business is likely to result in operational inefficiency as managers may find it difficult to manage the affairs of their insurance outfits. Management of insurance companies and policy makers are therefore expected to utilize the resources effectively in pursuing growth objectives and at the same time delivering their service in order to improve the performance of the insurance firms. The insurance firms in Nigeria should diversify their investment drives to other profitable areas based on the existing business activities and not to be deceived by the misleading objective of increasing premium growth at the detriment of investment opportunities that are capable of improving the performance of the insurance firms.

Keywords: Firm characteristics, Financial Performance, Insurance Companies.

The cheapest source of funds. Thus, one of the objectives of management of insurance companies is to attain profit as an underlying requirement for conducting any insurance business (Chen and Wong, 2004). The profit that the insurance companies must create in order to sustain their role in an economy can be measured through financial performance.

Financial performance is a measure of an organization's earnings, profits, appreciations in value as evidenced by the rise in the entity's share price (Mwangi and Murigu, 2015). According to Yahaya, Kutigi and Mohammed (2014), it is a measure of the results of a firm's policies and operations in monetary terms, and the appropriate measure selected to assess financial performance is considered to depend on the type of organization to be evaluated, and the objectives to be achieved through that evaluation. In insurance sector, financial performance is normally expressed in net premiums earned, profitability from underwriting activities, annual turnover, returns on investment and return on assets. These measures can be termed as profit performance measures. Profit performance includes the profits measured in monetary terms. According to Mwangi and Murigu (2015), it is simply the difference between the revenues and expenses. These two factors, revenue and expenses are in turn influenced by firm characteristics (Chen and Wong, 2004) as cited in Mwangi and Murigu, (2015). Insurance companies are associated with certain firm characteristics which impact on their performance either positively or negatively. Firm characteristics are the wide varieties of information disclosed in the financial statement of business entities that serve as the predictors of the firms' quality of accounting

information and performance (Lang and Lundholm, 1993) as cited in Onerkaya (2015). The firm characteristics of size is one of the factors that determines an insurance company's financial performance. The size of the firm affects its financial performance in many ways. Large firms can exploit economies of scale because of their size and this leads to efficient resource utilization compared to small firms. However, companies which become bigger could also encounter problems related to inefficiency (Almajali Sameer and Alsoub, 2012). Besides, it generally becomes harder to monitor and control efficiently and effectively the aberrant behaviors of managers by owners of companies which become bigger (Adams and Buckle, 2003). Consequently, the effect is equivocal on the precise relationship between size and financial performance (Majumdar, 1997). The premium base of insurance companies dictates the quantum of policy liabilities to be borne by them (Ahmed, Ahmed, and Ahmed, 2010).

Another cardinal firm characteristic that affect the financial performance of insurance companies is premium growth rate. The growth in premium of the firm has been argued to have influence on the financial performance of insurance companies and this has been studied frequently. Therefore, being excessively obsessive about the increase in the volume of the gross written premiums especially in an economic downturn may lead to the negligence of other important targets and self-destruction (Chen and Wong, 2004). Consequently, it is expected that premium growth rate affects the financial performance of insurance companies in terms of their financial structure, reinsurance policies and loss ratio.

Considerable studies have been carried out in recent years on the effect of firm characteristics and financial performance of insurance companies in developed countries (Al-Shami, 2008, Dieter, 2011, Kozak, 2011 and Charumathi, 2012), while some focused on developing countries (Ahmed, Naveed & Usman 2013, Abate, 2012, Akotoye, Osei and Gemegah, 2011, Almajali *et al*, 2012, Onerkaya, 2015, Mwangi and Murigu, 2015 and Malik, 2011). However, to the best of the researcher's knowledge, little has been done on this sector in Nigeria. Most literatures focused on factors influencing the performance of banks rather than insurance companies (Aburime 2008).

Similarly, variables that must have been used in other studies, especially from developed economies or other emerging markets may not be consistent with rudimentary Nigeria insurance industry. To this end, the effect of firm

characteristics on financial performance of insurance companies in Nigeria calls for more empirical investigation.

The quest for individuals and corporate organizations in Nigeria to insure their properties against unforeseen contingencies and the government to provide the needed infrastructural facilities in all the sectors of the Nigerian economy has made insurance companies an important subsector to be reckoned with in the country. Therefore, the question that requires answer is: what is the effect of firm characteristics on financial performance of insurance companies in Nigeria? This present study is therefore an attempt to fill this literature gap.

Therefore, the objective of this study is to assess the effect of firm characteristics on the financial performance of listed insurance companies in Nigeria from the period spanning from 2010-2018. Specifically, the paper seeks to evaluate the effect of firm size and premium growth rate on the financial performance of listed insurance companies in Nigeria.

In order to achieve these objectives, the paper hypothesizes that Firm size and premium growth rate has no significant effect on the financial performance of listed insurance companies in Nigeria.

This study will be beneficial to the management of these companies under study as it will provide them with an understanding of how firm size and premium growth rate affect the financial performance of their companies. Also, the findings will be useful to stakeholders in the Nigerian Stock Exchange (NSE) in terms of policy issues, investment decisions and regulatory measures as it provides evidence on the effect of firm size and premium growth rate on financial performance of insurance companies in Nigeria.

The remaining paper is divided into the following sections: Section 2 of this study reviews previous empirical literature on the effect of firm characteristics on financial performance, section 3 deals with the methodology that was adopted for the study. Section 4 presents the analysis of results, and finally, section 5 carries the conclusion and recommendations made by the researchers.

Literature Review

Concept of firm characteristics

Firm characteristics are attributes or features which a firm possesses. These attributes are necessary for the effectiveness of the firm in achieving financial performance. The characteristics of the firm are shown to have effect on financial performance (Onerkaya,2015; Mwangi & Murigu,2015).

Firm characteristics is the wide varieties of information disclosed in the financial statement of business entities that serve as the predictors of the firms' quality of accounting information and performance (Lang & Lundholm, 1993) as cited in Onerkaya (2015). According to Charles, Ahmed and Joshua (2018), firm characteristics are factors that are mostly under the control of management. Company's characteristics vary from one business entity to another. The company's characteristics can be gotten based on the relevant information disclosed on its financial statements for a particular accounting period (Stainer, 2006). According to Golan, Krissoff, Kuchler, Nelson, Price & Kelvin (2003), firm characteristics include structure, market and capital-related variables summarized as firm's resources and objectives. Malik (2011) clearly classified firm characteristics into two major sub-categories, namely, the financial variables and non-financial variables. From his explanation, he regarded financial variables as determining factors which are directly driven from items in a statement of financial position and statement of comprehensive income. On the other hand, the non-financial variables are those factors which cannot be driven from the items in the statement of financial position and statement of comprehensive income. The non-financial variables are classified as management quality or competency, efficiency and productivity and scope of operation (Yuqili, 2007).

There are different forms of firm characteristics depending on the nature of the research to be conducted. For the purpose of this study, firm characteristics in the insurance sector include firm size and growth rate of premium.

Firm Size: refers to the promptness and level of growth that is ideal for a specific company. Most companies are committed to expand the size of their business operation for them to grow either in revenue, profit, number of employees, or size of facilities (Pervan and Visic, 2012). Many companies compete in rapidly changing industries, expansion of servicing capacity, geographical presence, market shares and so on which may be imperative for survival (Dogan and Topala, 2014).

Firm size is measured as the natural logarithm of a firm's total assets, which can be easily regressed in order to determine the influence of the firm's total assets on its performance (Driffield, Mahambare and Pal, 2005). A lot of empirical studies have produced inconsistent results about the effect of firm size on financial performance of insurance companies. For instance, Sumaira and Amjad (2013) and Ahmed et.al (2013), found a positive and significant relationship

between firm size and financial performance of insurance companies. In contrast, Adams and Buckle (2003) found negative and insignificant relationship between firm size and financial performance of insurance companies operating in Bermuda.

Premium Growth Rate: is peculiar and is cardinal to the financial performance of insurance companies. Gross written premiums are the main source of income earned by insurance companies resulting from insurance activities. The increase in premium growth rate will ensure the growth of the company and increase of its market share. On the other hand, excessive or poorly coordinated growth of premium volume causes or aggravates other risks that may endanger the company's existence (Janotta-Simons,1999) as cited in Oner kaya (2015). Therefore, being excessively obsessive about the increase in the volume of the gross written premiums especially in an economic downturn may lead to the negligence of other important targets and self-destruction (Chen and Wong,2004). Consequently, it is expected that premium growth rate affects the profitability of insurance companies in terms of financial structure, reinsurance policies, and loss ratio.

Empirical documentations on the relationship between premium growth rate and financial performance are inconsistent. For instance, Mehari and Aemiro (2013), found that growth rate of premium is not significantly related to financial performance of insurance firms in Ethiopia. However, Kozak (2011), found a significant and positive relationship between premium growth and financial performance of insurance companies in Poland.

Concept of financial performance

Financial performance is of vital importance for investors, stakeholders and the economy at large. Investors are interested in the returns for their investment. Well performing businesses can bring higher returns to their investors. Financial performance of a company will increase the income of its employees, bring quality products to its customers and become more friendly to its operating environment (Mirza & Javed, 2013). A company that has good financial performance can generate more profits which can lead to future investment that can provide employment opportunities and increase the income of people. Barbosa and Louri (2005) viewed financial performance as the outcome of a firm's strategy or an assessment of how well a firm accomplished its business goals. In the words of Mirza and Javed (2013), financial performance is the ability

of a firm to achieve its objectives using its available resources. Financial performance provides a deductive measure of how well a company can use assets from business operations to generate revenue.

Financial performance is the measurement of the results of a firm's strategies, policies and operations in monetary terms (Kipkemoi, 2010). Mwangui and Murigu (2015), assert that these results are reflected in the firm's return on assets and return on investments. Ilaboya and Omoye (2013) regarded financial performance in relation to the capability of the organization to generate returns by efficiently and effectively employing available resources over a given period. Malik and Nadeem (2014) viewed financial performance as a measure of how well a company is using assets from its primary mode of business and generate revenues. It has been known from the literatures that the performance of corporate organizations has been one of the major concerns of management experts, investors and as well as researchers. In view of this, financial performance is the most important and reliable indicator as it gives a broad indicator of the ability of companies to raise their income level (Ahmed et al, 2013).

Therefore, financial performance refers to the process of performing financial activities in order for a company to accomplish its financial objectives by measuring the results of company's policies and operations in monetary terms.

Firm Characteristics and Financial Performance

Explanations related to the variables of firm characteristics used in this study and the effect of each on the financial performance of insurance companies are detailed below.

The size of the company has been used as an explanatory variable in many other studies which were conducted to determine factors that affect the financial performance of insurance companies. There are different opinions in relation to the effect of company size on financial performance. Major insurance companies are expected to respond quickly to changes in the market conditions compared with small insurance companies, diversify the risks they accept in an effective way, employ more qualified labour power in an easier way, and in particular, benefit from the economies of scale concerning labour cost (Shiu, 2004). However, companies which become bigger could also encounter problems related to inefficiency (Almajali et al. 2012). Besides, it generally becomes harder to monitor and control efficiently and effectively the aberrant behaviors of

managers by owners of companies which become bigger (Adams and Buckle, 2003). It is established in literatures that firm characteristics proxied by firm size is positively and strongly related to financial performance (Ahmed et al, 2013). The positive relationship is supported by Hardwick (1997) who opined that larger insurance companies usually have greater capacity or strength for dealing with adverse market fluctuations than small insurance companies. On the other hand, study conducted by Adams and Buckle (2000) found no significant relationship between firm size and financial performance of insurance companies. Consequently, the result is equivocal on the precise relationship between size and financial performance (Majumdar, 1997). Accordingly, the expected effect of company size on financial performance is unclear.

The main source of income earned by insurance companies resulting from insurance activities is the gross written premiums. The increase in premium growth rate will ensure the growth of the company and increase of its market share. Excessive or poorly coordinated growth of premium volume causes or aggravates other risks that may endanger the company's existence (Janotta-Simons,1997) as cited in Onerkaya (2015)

Insurance companies may have weak financial positions if underwriting is excessive, if risk selection or pricing is not done carefully, and if financial resources are insufficient to cover risk (Leflaive, 2002). Kim,Anderson & Amburgey (1995) as cited in Onerkaya (2015), argued that rapid growth of premium volume is one of the causal factors in insolvency. It has been reported from related literature that premium growth is a relevant financial variable that impacts the financial performance of insurance companies. Hence, the growth in premium of the firm has been argued to have effect on the financial performance of insurance companies and this has been studied often. Premium growth is measured by percentage change in total assets or sometimes as percentage change in premium of insurance companies (Abate, 2012). Premium growth rate measures the rate of market penetration (Ahmed et al, 2013).

Empirical works came up with different findings. Some studies are of the view that premium growth has positive and significant influence on the performance of insurance companies (Akotoye et al 2011. Ahmed et al 2013. Abate, 2012 and Yuvaraj and Abate, 2013). Based on their outcome, they argued further that growth in premium improves the profitability of the core operations of insurers and their overall performance.

Charumathi (2012) arrived at an inverse relationship between premium growth and firm performance. The explanations behind the negative relationship between premium growth rate and financial performance were stated by Akotoy et al (2011). The first cause according to them is the overwhelming focus of most insurance companies on various marketing activities to generate more premiums to the detriment of their investment activities, that is, if more resources, especially human and capital, are directed towards the underwriting of more policies to grow premium with a proportionate concentration of such resources on the management of their assets and liabilities, the investment income will decline despite an increase in net written premiums. They further argued that much of premiums written are outstanding which sometimes turn out as bad debt.

Study conducted by Sumaira and Amjad (2013) revealed a positive and insignificant relationship between premium growth and financial performance of insurance companies. While Abate (2012) found positive and significant relationship between premium growth and financial performance of insurance firms in Ethiopia.

Therefore, being excessively obsessive about the increase in the volume of the gross written premiums especially in an economic downturn may lead to the negligence of other important targets and self-destruction (Chen and Wong,2004). Consequently, it is expected that the increase in premium growth rate will increase the financial performance of insurance companies together with a strong financial structure, suitable reinsurance policies, and a low loss ratio.

Empirical Review

Previous studies relating to the effects of firm characteristics on financial of companies were reviewed under this subsection:

Yuvaraj and Abate (2013) examined the effects of firm characteristics on profitability proxied by Return on Assets of listed insurance companies in Ethiopia. The sample of the study included nine of the listed insurance companies over nine years (2003-2011). Data were obtained from the annual reports and accounts of the sampled firms. From the regression results, firm size was identified as most important determinant of profitability. Hence, firm size is positively related. Abate (2012) investigated the impact of firm characteristics on performance of insurance companies in Ethiopia. Return on total assets (ROA)

as key indicator of insurance company's performance was used as dependent variable while size of the company and growth in written premium were among the independent variables. The sample includes 9 insurance companies over the period 2005-2010). Data were obtained from the annual reports and accounts of the sampled firms. Multiple regression was used to analyze the data. The results of regression analysis revealed that insurers size is statistically significant and positively related with return on total asset. However, growth in written premium has statistically insignificant relationship with ROA.

Charumathi, (2012) examined the effects of firm characteristics on profitability of Indian life insurance companies within the period of 2008-2010. For this purpose, firm size and premium growth are among the variables regressed against Return on Assets. This study concludes that profitability of life insurance companies is positively and significantly influenced by the size (as explained by logarithm of net premium). The premium growth has negatively and significantly influenced the profitability of Indian life insurance companies

Mehari and Aemiro (2013) examined the firm characteristics affecting the financial performance of insurance companies in Ethiopia during the period from 2005 to 2010. Data were obtained from the annual reports and accounts of the insurance firms. Multiple regression was used to analyze the data. The results of the analysis reveals that, financial performance of Ethiopian insurance companies is significantly and positively influenced by the size of the company. The results also show that growth in written premium is not significantly related to financial performance.

Mohammed and Usman (2016) examined the impact of corporate attributes on the profitability of listed pharmaceutical firms in Nigeria using a panel data of five sampled firms for a period of ten years (2004-2013). They extracted data from the annual accounts of the selected firms. Multiple regression technique was employed to examine the influence of corporate attributes on the profitability of listed pharmaceutical firms in Nigeria. The study reveals that firm size has positive and significant relationship with profitability implying that it has impact in increasing share price. Finally, Uwuigbe, Uwuigbe, Adeyemo, and Ogunbajo (2016) examined the effect of corporate attributes on the profitability of companies by employing the annual reports of thirty selected companies listed on the Nigerian Stock Exchange (NSE) for a period of 5 years (2007-2011). They used Ordinary Least Square (OLS) regression to test for the effects of the selected corporate attributes on profitability. They tested for the relationship between

firm size and return on assets using Pearson's product moment correlation coefficient. In the study, firm size showed a negative and statistically insignificant relationship with profitability measured by return on assets. As can be observed from the review of empirical literature, the effect of different firm characteristics on financial performance of firms have been studied, both abroad and in Nigeria, but to the best of the researchers' knowledge no empirical evidence has been provided from the insurance sector in Nigeria on the subject measuring financial performance in terms of Return on assets only. This therefore, necessitated for a study on the effect of firm characteristics on financial performance of listed insurance companies in Nigeria to be carried out.

Theoretical Framework

The study is underpinned by the resource based theory. This theory was propounded by Wernerfelt in the year 1984. Pearce and Robinson (2011) define the resource-based theory (RBT) as a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization. This theory is concerned with firm characteristics and their effect on firm performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average profitability (Grant, 1991).

It works with the assumption that each firm develops competencies from these resources, and when they are well developed, these become the source of the firm's competitive advantages. This theory will aide in explaining financial performance variation of intra industry firms as it specifically addresses firm characteristics rather than industry factors. The physical resources as measured by the assets size is one of the tangible resources the firm can use to gain competitive advantage, whereas business experience of the firm gives the firm organizational capabilities that it can use to gain a competitive advantage over its competitors thus being able to earn an above average financial performance.

Methodology

Expost facto research design was employed for the study. Based on this research design, data were extracted from the annual reports an accounts of twelve (12) sampled insurance companies out of the twenty-eight (28) insurance companies listed on the Nigeria Stock Exchange as at 31/12/ 2018. See (appendix 1). The study period is from 2010-2018.

Financial Performance of insurance companies is the dependent variable proxied by Return On Assets. In this study, net profit after tax to total assets (ROA) was adopted to measure financial performance of listed insurance companies in Nigeria. Firm characteristics are the independent variables and the firm characteristics of interest to the current study are proxied by two variables viz- Premium Growth Rate and Firm Size. The variables were measured as specified below:

Size of insurance companies was measured as the natural logarithm of total assets (Oner kaya, 2015). Premium Growth Rate was measured as percentage increase in gross written premiums (Onerkaya,2015).

Model Specification

The theoretical model is as follows:

$$FP=(FC)..... (1)$$

It is also expressed as

$$ROA = f (FSZE, PG) (2).$$

The multiple regression model was used to estimate the effect and the econometric model is given below:

$$ROA_{it} = \beta_0 + \beta_1 FSZE_{it} + \beta_2 PG_{it} + e_{it}..... (3)$$

Where:

ROA = Return on asset

FSZE = Firm size

PG = Premium growth

β_0 =Parameter estimated (average amount of the dependent variable increase when the independent variable increases by one unit, other independent variable held constant).

β_1, β_2 , are parameters to be estimated. They are partial derivatives of the independent variables.

e= Error term.

i,t = Firm, Time

The techniques used to analyze the data for the study include descriptive statistics, correlation and multiple regressions. Based on the findings, conclusion and recommendations were made.

Results and Discussion

Table 1.1 presents the *summary of the descriptive statistics of the dependent and independent variables as follows*;

Table 1.1: Descriptive Statistics of the Dependent and Independent variables.

	N	Minimum	Maximum	Mean	Std.Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
ROA	108	-3798.919	1921.949	9.556	433.221
LNFSZ	108	1.668	2.162	2.113	.044
LNPG	108	1.127	3.457	2.064	.330

SOURCE: Obtained from SPSS 24 output.

Table 1.1 contains the result of the descriptive statistics of the dependent and independent variables of interest, the minimum value of ROA is -3798.92 while the maximum value of return on assets is 1921.95. The positive values indicate good financial performance while negative return on assets shows negative financial performance of some insurance firms during the study period. The analysis of the size of the firms revealed that the minimum size proxy by the total assets of the firms is about N1.668billion worth and the maximum value is about N2.162billion with a mean size of N 2.113billion. This result shows that there is small variation across the size of the sampled insurance firms in Nigeria. The premium growth of the firms in Nigeria has a minimum value of 1.127 and the maximum value of 3.457 with standard deviation of 0.33 from its mean value of 2.064.

Table 1.2 depicts the results of the Pearson's correlation between the dependent and the independent variables and between the independent variables themselves.

Table 1.2: Correlation Coefficients

	LNRO	LNFSZ	LNPG
LNRO	1.000		
LNFSZ	.999	1.000	
LNPG	-.224	-.216	1.000

SOURCE: Obtained from SPSS 24 output.

The Pearson correlation coefficient shows the linear relationship between explained and explanatory, and between the explanatory variables. Table 1.2 shows the correlation between the Return On Assets (ROA) and the firm size(FSZE) and premium growth(PG). Considering the relationships among the variables, the ROA is positively related to FSZ (0.999) but it has a negative relationship with PG (-0.224). FSZ has negative relationship with PG (-0.216).

The result of the regression used to test the hypotheses of the study is presented in table 1.3 as well as the equations are presented as follows;

$$ROA_{it} = -18408.03 + 8884.48FSZ_{it} - 144.80PG_{it} + e_{it}$$

Table 1.3: OLS Regression Results.

Variables	Coefficient	t-Statistic	Prob.	Significance level
Constant	-18408.023	-19.995	.000	Significant
FSZ	8884.482	21.579	.000	Significant
PG	-144.800	-2.737	.007	Significant
R	0.999			
R ²	0.999			
Adj R ²	0.999			
F-statistic	48080.25			
Prob(F-statistic)	0.000			

Source: Researcher's Computation using SPSS 24.

The result on table 1.3 shows that the *relationship of firm characteristics on financial performance of listed insurance companies in Nigeria* is significantly positive (0.999). The R-square (R^2) on the other hand indicates that the model explains about 99% variation in the relationship between *firm characteristics and financial performance of listed insurance companies in Nigeria* while the remaining variations are attributed to variables not captured by the model. The combined effect of the explanatory variables (FSZ and PG) is statistically significant at 5% ($F=48080.25$, $P < 0.05$). Hence, we conclude that *the model used in the study is fit*.

The analysis of the hypothesis statement on the effect of Firm size, which is measured by natural logarithm of total assets on ROA reveals that there is a positive and significant relationship between the FSZ and the financial performance of listed insurance companies in Nigeria ($\beta = 8884.48$, $t = 21.579$, $p < 0.05$). This implies that the FSZ is positively associated with financial performance of listed insurance companies in Nigeria. This leads to the rejection of the null hypothesis, which states that Firm size has no significant effect on the financial performance of listed insurance companies in Nigeria

The other hypothesis examines the effect of Premium growth rate on the financial performance of listed insurance companies in Nigeria. The Premium growth rate variable is measured by the percentage increase in gross premium. The test of the effect based on the Multiple regression analysis results contained in table 1.3 revealed that there is negative and statistically significant effect on financial performance of the sampled companies which means that premium growth is negatively associated with the financial performance of listed insurance firms in Nigeria ($\beta = -144.80$, $t = -2.73$, $p < 0.05$). As evident in the result above, premium growth has significant negative effect on the financial performance of listed insurance firms in Nigeria. Hence, we reject null hypothesis, which states that premium growth rate has no significant impact on the financial performance of listed insurance firms in Nigeria despite the fact that the direction of the effect is otherwise.

Discussion of Findings

In the bid to ascertain the effect of firm size on the financial performance of listed insurance companies in Nigeria, this study established that Firm size has positive and significant effect on the financial performance of listed insurance companies in Nigeria ($\beta = 8884.48$, $t = 21.579$, $p < 0.05$). The result of this study is contrary

to the results obtained in the studies conducted by Adams and Buckle (2000), even though it converges with most of the studies as evidenced by Yuvaraj and Abate (2013), Abate (2012) and Malik (2011). This is a clear indication that as the size of the company increases, it equally increases the value of its financial performance because of the increased activities.

The result of the other hypothesis, which examines the effect of Premium growth rate on the financial performance of listed insurance companies in Nigeria led to the conclusion that premium growth rate has negative significant impact on the financial performance of listed insurance firms in Nigeria ($\beta = -144.80$, $t = -2.73$, $p < 0.05$). The findings of this study is in divergence with the ones conducted by Sumaira and Amjad (2013), Yuvaraj and Abate (2013), and Abate (2012).

Conclusion and Recommendations

Insurance is considered to be paramount in the development of a nation, which is enforced by the combined effect of the performance of the insurance firms. The analysis of the result of this study revealed that Firm size has positive and significant effect on the financial performance of listed insurance companies in Nigeria. It was further confirmed statistically that premium growth rate has significant negative effect on the financial performance of listed insurance firms in Nigeria.

Based on the analysis and findings, it is recommended that the growing influence of the increased size of business is likely to result in operational inefficiency as managers may find it difficult to manage the affairs of their insurance outfits. Management of insurance companies and policy makers are therefore expected to utilize the resources effectively in pursuing growth objectives and at the same time delivering their service in order to improve the general performance of the insurance firms. Also, insurance firms in Nigeria should diversify their investment drives to other profitable areas based on the existing business activities and not to be deceived by the misleading objective of increasing premium growth at the detriment of investment opportunities that are capable of improving the financial performance of the insurance firms.

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Appendix 1

List of Sampled Insurance Companies.

S/N	Companies	Nature of Business	Year listed on NSE
1	AIICO Insurance Plc	Composite	1990
2	Continental Reinsurance Plc	General	2007
3	Cornerstone Insurance Plc	Composite	2007
4	Equity Assurance Plc	General	2007
5	Law Union and Rock Insurance Plc	General	1990
6	Mutual Benefit Assurance Plc	General	2002
7	N.E.M Insurance Plc	General	1990
8	Prestige Assurance Co. Plc	General	1990
9	Regency Alliance Insurance Plc	General	2007
10	Standard Alliance Insurance Plc	Composite	2003
11	Standard Trust Assurance Plc	General	2007
12	WAPIC Insurance Plc	General	2005

Source: compiled by the Author from the population.