



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

The Effect of Corporate Governance on the Financial Performance of Firms (case
of Insurance Companies in Ethiopia)

Thesis Submitted to Department of Accounting and Finance in Partial Fulfillment of the
Requirements for the Award of Master of science in Accounting and Finance (ACFN)

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November, 2023

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I, Melkamu Getachew Demeke, hereby declare that the thesis work entitled "The effect of corporate governance on financial performance of firms (case of insurance companies in Ethiopia)" submitted by me for the award of the degree of Master of Accounting and Finance of Addis Ababa University at Addis Ababa Ethiopia, is original work and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

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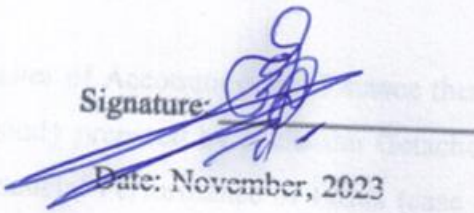
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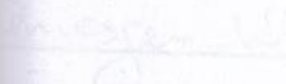
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Approval Sheet

As members of the Board of Examining for the Final master of Accounting and Finance thesis Defense, we certify that we have read and assessed the study prepared by Melkamu Getachew entitled "The Effect of Corporate Governance on the Financial Performance of Firms (case of Insurance Companies in Ethiopia)" and we recommend that the thesis be accepted as satisfying the requirement for the award of the degree of Master of Accounting and Finance in Addis Ababa University at Addis Ababa, Ethiopia,

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Abstract

The main objective of the study is to examine the effect of corporate governance on financial performance of firms (case of insurance companies in Ethiopia). The study employed explanatory research design and quantitative research approach with an econometric panel data of 10 sampled insurance companies purposely chosen based on work experience and data availability that covers the period 2018 to 2022. Board size, board remuneration, debt financing, firm size, meeting frequency, executives' compensation and product market competition as corporate governance variables and return on equity as financial performance measurement variable. It found that board size, board remuneration and debt financing have positive but insignificant effect on the performance of insurance companies while firm size and frequency of board meetings have negative but insignificant effect on the performance of insurance companies in Ethiopia. Whereas executives' compensation and product market competition have positive and significant effect on the performance of insurance companies. Concluded board size, board remuneration, debt financing, firm size and frequency of board meetings have insignificant relationship with performance of insurance companies in Ethiopia. However, executives' compensation and product market competition have positive and significant effect on the performance of insurance companies.

Key words: *corporate governance, corporate governance mechanisms and financial performance, insurance companies.*

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Abbreviations/Acronyms

ASX= Australian Stock Exchange

OECD= Organization for Economic Cooperation

Development CEO=chief executive compensation U.

S=United States

USA=United States of America

UK=United Kingdom

NBE= National Bank of Ethiopia

AACCSA= Addis Ababa Chamber of Commerce and Sectoral

Associations EICG= Ethiopian Institute of Corporate Governance

STATA=Statistical software for data analysis ROE=Return on equity

ROA=Return on asset

HHI= Herfindahl–Hirschman Index

BODSIZE=Board size

BODRM=Board remuneration

DBFN=Debt financing

FRMSIZE=Firm size

EXECMP=Executive compensation

BODM=Board meeting

PRDMC=Product market competition

VIF=Variable inflation factor

GLS=Generalized Least Square

Earnings per share =EPS

Dividend per share =DPS

Operating profit =OP

Return on capital employed =ROCE

Profit margin =PM, Market to book value =MTBV

Market value added =MVA

CHAPTER ONE

1. Introduction

This section of the study introduced the background of the study, statement of the problem, basic research questions, objectives of the study, research hypotheses, scope and limitation of the study, significance of the study and organization of the paper.

1.1. Background of the Study

As a consequence of financial scandals in the past that led to pressure for improved corporate governance practices, developing economies have experienced an increase in corporate governance concerns (Baydoun et al.2013 & Khaled et al, 2014). The issue of corporate governance is first begun with the beginning of corporations, dating back to the East India Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16th and 17th centuries since the use of the corporate form of business that created the possibility of conflict between investors and managers (Wells, 2010). A major area of research and theory in company studies continues to be corporate governance and its relationship with firms' performance. Over the past decades, it's gotten a lot of attention in developing nations and evolved into an important mechanism because many of these countries still suffer from a lack of appropriate governance (Ekanaakey, Perera & Perera, 2010). Thus, it can be seen as a contributing factor to financial scandals and crises (Tarraf, 2011). Therefore, it has attracted considerable attention in both developed and developing countries in academic research (Mallin, and Clark, 2004; Reed, 2002; Solomon & Solomon, 2004; Sternberg, 2004; Weir & Laing, 2001, Khaled 2014, Isaac K., Samuel N.& Kennedy N.,2021; David Wanyonyi & Tobias Olweny,2013; Eunice Nyawira,2016; Ndungu Simon,2013; Rajendra Maharjan,2019; Jennifer L & Wanga et al,2007; Gardachew, 2015; Tewodros,2020; Abraham,2015, Bayelign et al: 2020). The fast growth of privatizations, the global financial crises, and the development of financial institutions have reinforced the improvement of corporate governance practices (Tolosa, 2021).

It is an interaction of various shareholders, board members, and the management of the company in order to determine corporate performance and how it moves forward towards the corporation (World Bank, 2016). Consequently, effective corporate governance structures encourage companies to create value, innovation, development, promote accountability and minimize risks, enhance performance, maximizes stakeholders' interest, foster economic health of corporations and society in general (ASX, 2007; Nwachukwu, 2007; Okoi et al, 2014).

On the other hand, weakness of corporate governance is perhaps the most important factor blamed for the corporate failure consequences as it usually leads to waste, mismanagement and higher levels of corruptions (Saudagaran, 2003 and Nabil and Ziad, 2014). Thus, the need for good corporate governance practice is to create fair operation, transparent process and responsible management (Claessens et al., 2000). Effective corporate governance also ensures that companies are successful and contribute to economic growth, maintains investor confidence through effective capital raising which results in a company's ability to raise the amount of capital efficiently and effectively while reducing its financial costs such as increases in providing share prices, and appropriate incentives for shareholders as well as managers to achieve objectives that are in interests of the shareholders and the organization, minimizes wastages, corruption, risks and mismanagement, brand formation and development, leads the corporation in the interest of all (world bank,2016).

In addition, good governance practices reduce the risk to investors, improve their financial performance and assist in attracting foreign investment as a major influence on economic growth prospects (Spanos,2005). It seeks to balance economic and social objectives, as well as individual and collective goals with the objective of achieving nearly equal interests between individuals, companies and societies" (Sir Adrien Cadbury, 1993 & Martha et al., 2015).

The concept of corporate governance in developed economies has been explained using various theories (Solomon, 2010). According to the agency theory, the purpose of corporate governance is to reduce potential conflicts between managers and the interests of the shareholders (Jensen & Meckling, 1976). The stakeholder theory also plays an essential role in explaining governance structures because companies are made aware of all stakeholders rather than only the shareholders (Freeman, 1984). Donaldson and Preston (1995) have argued that the stakeholder theory can help to maximize firm performance and the combined benefits of all stakeholders by considering the interests of all stakeholders

The way in which the objectives of the company are set and met, how risks are monitored and evaluated, as well as how performance is optimized have an impact on corporate governance and used for governance and decision making of organizations, which covers its members' responsibilities as well as the relations between directors and shareholders (Jiang et al., 2012).

The need for corporate governance stems from the separation of ownership and control often referred to as the 'principal-agent problem thereby it is a topical issue in corporate development (Jensen and Mackling et al., 2014; Marta et al, 2008; Hussein et al., 2012).

In order to maximize the return on shareholders, managers have been appointed for work and decision making in respect of owners 'Principals. However, the management who are put in control of the affairs of the organization may not always consider the best interest of the owners and may pursue their self-activities to the detriment of the welfare of the principals, and stakeholders, and the firm ultimately performs worse (David and Tobias, 2013).

They cover agency conflicts arising from the fact that, as shareholders, they are able to make their own decisions at odds with those of supervisors who control the company. In order to allow alternative internal and external mechanisms to achieve the objectives of the firm, corporate governance is a framework for effective monitoring, regulation and control of companies (Keasey and Wright, 2021).

The efficiency of internal and external management structures is crucial to the achievement of company governance. The internal corporate governance mechanism shall include the control mechanism between the various actors in the company: that is, the management of the company, the board of directors, and the shareholders, where the external corporate governance mechanism is outside the company's corporate community, the social and political environment, the product market competition, debt financing, the laws and regulations of the companies and the governments involved. In addition to theoretical literature, there are a number of empirical studies that have been made to examine the impact of corporate governance on financial performance of insurance companies in developed and developing countries. In Ethiopia, a handful of studies had been carried out, but most of which were conducted in banks and other institutions.

A few studies also had been conducted to examine the impact of corporate governance on financial performance of insurance companies by Gardachew (2012); Abraham, (2015); Haileab, (2014); Tewodros, (2020); Bosena, (2015); Bayelign et al. (2020); Bedilu, (2016). However, all those studies were focused on internal corporate governance mechanisms. Therefore, this study was conducted to examine the impact of corporate governance mechanisms on financial performance of firms (case of insurance companies in Ethiopia) take into account of both internal and external corporate governance mechanisms.

1.2 Statement of the Problem

The issue of corporate governance is a matter that needs to be given the highest priority in all stages of business establishment and throughout its life. In developing and transition economies a healthy and competitive business sector is fundamental for sustained and shared growth. One of the key success factors of public and private sector to become healthy is good corporate governance because it is a source of competitive advantage, economic and social progress.

Successful corporate governance is viewed as a basic component of supportable financial development and advancement (World Bank Group, 2000). Firms with better corporate governance mechanisms continue to attain organizational objectives and goals than those that do not have (Bradley, 2004).

Corporate governance defines all organizational roles, responsibilities, and accountabilities at all levels. It describes and explains the management hierarchy, that is, the decision-making and accountability chain and ultimately who has the power to manage and legally represent the company in all settings. Corporate governance spells out requirements for documenting decisions and actions as well as the thinking behind them. It also provides corrective action for non-compliance or weak oversight, controls, and management. Hence, corporate governance addresses the allocation and regulation of power and accountabilities within an insurer and avoids undue concentration of authority and power. Also, corporate governance has to be transparent and have appropriate systems, controls, and limits to ensure the given authority and power is used to protect the interests of all of the insurance company's stakeholders (NAIC,2023).

Companies with poor corporate governance leads fail to achieve its stated goals and at worst can lead to the collapse of the company and significant financial losses for shareholders. The best corporate governance ensures that the board of directors meets on regular basis, retains control over the company and clearly divides its responsibilities in order to maintain a system of risk management which will underpin any successful business. It is likely to help prevent scandals in companies, fraud and the possible civil or criminal liability of firms. Moreover, it will improve the company's image and reputation as well as its attractiveness to shareholders, suppliers, customers and other stakeholders.

Corporate governance is an important global subject that has attracted a great deal of attention in financial, economic, management and international business arena. It also deals with how suppliers of finance assure themselves that they receive return on their investment (Schiller and Smiley et al., 2021).

Traditionally different values, culture and history concerning economic development and business practice also produce differences in the corporate governance between particular countries. Factors decisively influencing the differences in the development and characteristics of corporate governance between countries also include the differences between the structure and functioning of financial systems, such as bank- versus market-driven, governance role of owners versus stake holders and the political governance of the economy in terms of state-directed, associational or market-driven economies (ICP,2012). In addition, specific differences in corporate governance practice can be observed between particular industries and individual subjects within such industries. However, the main principles and goals such as transparency and long-term sustainable profitability are generally applicable independently of the differences existing in different legal systems or industries. This is also where main benefits of corporate governance lie, including better performance, easier access to capital markets, more favorable conditions for capital raising, and better universal reputation (ICPG,2004)

Insurance is an industry of special social interest, having in mind its different functions in a society. The main aim of the modern insurance industry is to minimize the risk by association of the insured into the institutionalized risk communities, i.e., insurance companies, and to ensure direct economic protection against negative effects of risk actuation through indemnity. The aforementioned represents the main function of insurance. However, in addition to this primary function, insurance carries out other numerous functions both for individual insureds and the society at large, such as: credit improvement, exchange and trade, mobilization of funds, effective capital allocation and social function. According to Morck, R.K. and Steier, L. (2005) Successful conduct of insurance industry involves a continuous maintenance of public trust in the insurance institution which is achieved by maintaining solvency, adequate investment policy and prudent underwriting. Analyzing the said insurance functions, it can be concluded that successful management of this industry is crucial for all stakeholders and entire community in which insurance companies operate. Undeniably, the quality corporate management which enables successful, long-term, sustainable conduct of insurance industry is not only important for shareholders but also for all other stakeholders.

However, having in mind the aforementioned, it was recorded that quality corporate governance, which creates the framework for a successful organization and management of insurance companies, has a relatively higher importance than in other industries. The extreme importance of corporate governance in insurance companies is particularly pronounced when big insured events occur, such as natural and technological disasters that cause huge material losses and also when companies may suffer significant financial losses under the third-party liability insurance for personal data theft or asbestos pollution. In addition, the importance of corporate governance in insurance industry is supported by the fact that insurance companies increasingly become the members of financial conglomerates and by the threat from negative effects that may result in the actuation of systemic risk. Despite the fact that the danger of systemic risk is higher in case of banks while insurance industry is properly and legally regulated, the problems of a USA company, the American International Group, in 2008 have undoubtedly demonstrated that insurance companies are likely to cause problems in the entire financial system owing to inadequate corporate governance, notably in the aggregate risk management.

A wide range of studies proved that good corporate governance has a direct impact on the company's bottom line, making it more profitable and competitive. It is of great interest to explore the impact of corporate governance on the financial performance of insurance companies in Ethiopia, where there is a financial sector that has been shut down and regulated by strict legislation. Different scholars from developed and emerging countries examined the impact of company governance on an insurance firm's profitability. In the case of Ethiopia, a number of empirical studies had been taken place to assess the impact of company governance on the financial performance of firms. However, most of which were focused on banks and other financial and non-institutions. Concerning insurance companies, a few of studies had been conducted to examine the effect of corporate governance on financial performance. For instance, Gardachew (2015) in his study, he found that all corporate governance variables considered in the study (board size, board diversity, audit committee, audit committee independence, and frequency of board meetings) had an insignificant effect on company financial performance by means of return on assets as a proxy for performance.

Abraham (2015) in his study, he also found that (board meeting, size of the firm, board composition, board size, age of firms, audit committee and board gender diversity) using ROE as proxy measure of financial performance have positive and statically significant impact on firms' performance using return on equity as a proxy measure of performance whereas, board size, age of firms, audit committee and board gender diversity did not show any significant impact on performance.

Haileab (2014) explored the impact of corporate governance on firm performance company's profit performance as a proxy measure by taking into account gender diversity, board composition and size, firm size, and return on equity. Tewodros (2020) found that board size, board gender diversity, board business management experience, meeting frequency, educational qualification, board subcommittee size, firm size, liquidity, and dividend policy.

Bedlu (2016) examine the impact of corporate governance controlling mechanisms; board size, chief executive officer remuneration, director educational qualifications, proportion of females on boards, meeting frequency, other executive management experience, industry specific experience and premium growth using return on assets as a proxy measure. Bonsa (2015) examined the impact of corporate governance mechanisms on financial performance of insurance companies using chief executive officer compensation, professional qualifications, other business management experience, industrial specific expertise, board meetings, and board size as independent variables & return on assets as proxy measure of financial performance.

In addition, Bayelign, Ayalew and Sitotaw (2020) in their study, they have employed return on equity and return on assets as a measure of financial performance while board size, management soundness, board remuneration, financial disclosure, dividend and debt policy were taken as independent variables. However, almost all the studies were mainly focused on internal corporate governance controlling mechanisms and found mixed results. They had not addressed the effect of external corporate governance controlling mechanisms. Therefore, this study was conducted to examine the effects of corporate governance on firm's performance (case of Ethiopian insurance companies) in view of external corporate governance controlling mechanisms.

1.3. Research Questions

This study was conducted to answer the following research questions

1. At what extent board size affect corporate financial performance?
2. Examine the relationship between board remuneration and financial performance
3. What is the impact of debt financing on financial performance?
4. What is the relationship of size of firm with financial performance?
5. What is the relationship between executive compensation and financial performance?
6. To what extent board meeting frequency affect financial performance?
7. Does product market competition has impact on financial performance?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of the study to examine the effect of corporate governance on financial performance (case of insurance companies in Ethiopia).

1.4.2. Specific Objectives

The study was conducted to accomplish the following specific objectives

- ✚ To determine the impact of board size on financial performance of insurance companies in Ethiopia.
- ✚ To investigate the impact of board remuneration on financial performance of insurance companies in Ethiopia.
- ✚ To assess the impact of debt financing on financial performance of insurance companies in Ethiopia.
- ✚ To examine the impact of firm size on financial performance of insurance companies in Ethiopia.
- ✚ To justify the impact of executive compensation on financial performance of insurance companies in Ethiopia.
- ✚ To explore the impact of board meeting frequency on financial performance of insurance companies in Ethiopia.
- ✚ To clarify the impact of product market competition on financial performance

1.5. Research Hypothesis

In order to answer the research questions, the following research hypotheses were formulated

H1: There is strong positive relationship between board size and financial performance of insurance companies in Ethiopia measured by return on equity.

H2: Board remuneration has positive and significant impact on financial performance of insurance companies in Ethiopia measured by return on equity.

H3: There is a positive and significant relationship between debt financing and financial performance of insurance companies in Ethiopia measured by return on equity.

H4: There is positive relationship between firm size and financial performance of insurance companies measured by return on equity.

H5: There is strong positive relationship between executive compensation and financial performance of insurance companies measured by return on equity

H6: There is positive relationship between meeting frequency and financial performance of insurance companies measured by return on equity

H7: There is significant positive relationship between product market competition and financial performance of insurance companies measured by return on equity.

1.6. Scope and Limitation of the Study

The thesis focused on the impact of corporate governance on financial performance of firm's case purposely selected ten insurance companies in Ethiopia having ten and above years working experience. The thesis depends on corporate governance controlling mechanisms (both internal & external) as independent variables and return on equity as dependent variable. The study was used five years' data obtained from audited financial statements (statement of financial position and profit or loss account) from 2018 to 2022. The researcher employed explanatory research design and secondary data source and quantitative research approach.

The study also conducted only five internal corporate governance controlling mechanisms (i.e. board size, board remuneration, board meeting, executive compensation, and firm size) and two external corporate governance controlling mechanisms only (i.e. product market competition and debt financing) taking return on equity as dependent variable. It does not use other financial performance measuring variables and other corporate governance variables.

Some challenges were encountered during the collection in that companies were not willing to provide data about some corporate governance controlling mechanism variables due to confidentiality questions so that the researcher was forced to substitute those variables by others.

1.7. Significance of the Study

Although numerous studies have been conducted in developed and recently in developing nations in the area of corporate governance, there are few studies done in Ethiopia. Despite these few studies, no single study was conducted to examine the effect of corporate governance on financial performance of insurance companies in Ethiopia in which external corporate governance mechanisms is not considered rather focused on internal mechanisms of corporate governance. Therefore, this study will provide a new understanding on the impact of both internal and external corporate governance mechanisms on financial performance of insurance companies in Ethiopia.

Thus, this study would provide the implication of corporate governance mechanisms in relation to its effect on financial performance of corporate entities. Finally, the result of this study could be used as an input for interested researchers in the field to understand the influence of corporate governance on financial performance.

1.8. Organization of the Study

The study has five chapters. The first chapter is the introduction of the thesis and it gives information on the background of the study, background of the study area, statement of the problem, research questions, objectives of the study, research hypothesis, significance of the study, scope and limitation of the study and organization of the study. The second chapter contains introduction of the chapter, extensive literature review both in theoretical and empirical studies, justification of the research project & conceptual framework.

In the third chapter, the study discussed about the introduction, the research approaches adopted for the study, research design, research method, study population and samples, data type, sources and gathering techniques and method(s) of data analysis, ethical considerations, operationalization and measurement of study variables and model specification were discussed.

The fourth chapter devoted to the data analysis/presentation, result discussion, summary of findings, and also the last and fifth chapter discussed on the conclusion and recommendations forwarded and directions for future research projects and policy implication were presented.

CHAPTER TWO

LITERATURE REVIEW

2. Introduction

This part of the study is discussed about theoretical and empirical literature of corporate governance and conceptual frame work of the study.

2.1. Theoretical Literature Review

2.1.1. History of Corporate Governance

Corporate governance systems have evolved over centuries, often in response to corporate failures or systemic crises. The first well-documented failure of governance was the South Sea Bubble in the 1700s, which revolutionized business laws and practices in England. Similarly, much of the securities law in the U.S. was put in place following the stock market crash of 1929 (Hanoi, 2010). As democracy flourished in Europe and USA, it created a context for the free-market economic system referred to as capitalism. In the early days of the Industrial Revolution, an unrestrained form of capitalism resulted in a very small number of people becoming very wealthy while most stayed poor.

The political system responded to the situation with laws and regulations intended to limit the excesses and abuses of the free and unrestrained markets of the time. In the end, capitalism prevailed under the watchful eye of the federal and state governments (John, et al. 2014). The success of capitalism created opportunities for businesses to grow larger. One driver of this growth was the opportunity for investors to unite their capital (money) to fund extensive projects and massive enterprises. These investors became owners of portions or shares of the businesses in which they invested, and have come to be known as shareholders. The larger businesses that were created could not be governed effectively by proprietors and partnerships for many reasons. Consequently, in the twenty centuries, the publicly owned corporation emerged as the dominant legal form for business enterprises. According to John, et al. (2014), the corporation has three distinctive features that make it an attractive form for defining the legal entity of a business-its unlimited life, the limited liability of the owners, and the divisibility of ownership that permits transfer of ownership interests without disrupting the structure of the organization. Today, the public corporation itself operates as a form of representative government.

The owners (shareholders) elect directors as their representatives to manage the affairs of the business. The directors, who as a group are referred to as the board of directors, then delegate responsibility for actual operations to the Chief Executive Officer (CEO), whom they hire. The CEO is accountable to the board of directors, which, collectively and individually, is accountable to the shareholders. In addition to its role in selecting the CEO, the board also advises on and consents to the selection of businesses and strategies of the firm as well as oversees results. In sum, this system of authoritative direction, or government, is known as corporate governance (John et al. 2014).

Over the last two decades, a number of scandals related to companies that have been blamed for their lack of governance have occurred in the investment world. This has been due to a combination of factors, some of which can best be classified as three corporate sins. The company's executive directors had lost their sense of business ethics, and the only reason was profit. Directors were not prepared to show losses which led to the use of unethical practices like forging books of accounts to show higher earnings. The other members of the Management Board were acting as a puppet in the hands of the executive directors, approving incorrect financial statements, and condoning unfair practices. Managers paid themselves huge bonuses and issued stock options, sometimes at the expense of other shareholders. Auditors have colluded or failed to stop the use of inappropriate accounting policies by the Executive Directors. In the process, they lost their independence which they surrendered in return for high audit fees.

The area of corporate governance has acquired heightened attention in the last decade because of various notable scandals and collapses cited from the USA (Enron, World com, Tyco), the UK (the collapse of Maxwell publishing group), Germany (the cases of Holtzman, Berliner Bank, and HIH), Korea (the widespread banking distress in 1997), Australia (Ansett Airlines and One Tel), France (Credit Lyonnais and Vivendi), and Switzerland (Swissair), India (Satyam and Reebok). A global response to these wrongs has set in motion the development of legal and corporate governance standards, which have led to better business practices. Some international initiatives for regulating corporate affairs (Committee report 1992, UK Green Bury 1995 UK Combined Code 1998, Cadbury's Turnbull 1999 UK, OCED principles of Corporate Governance (1999)).

2.1.2. Definition of Corporate Governance

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government and the community (James Chen, 2021).

The emphasis on corporate governance, both in practice as well as in academic research, has been increased (Ali Shah, Butt & Hassan, 2009; Bebchuk, Cohen & Ferrell, 2009), (Khaled, 2014). This is due to the collapse of many companies worldwide, such as WorldCom, Enroll and Arthur Andersen (Dao, 2008). However, according to Ramon (2001), as cited in (Mulili & Wong, 2011), the differences in culture, regulatory system and historical development between countries make it hard to define one definition of company governance.

The fact that researchers from different disciplines in the field of law, economics, accountancy and management are starting to develop ideas about how it should be defined is a fairly new phenomenon for company governance (Armstrong et al., 2014). Depending on the views of policymakers, practitioners and theorists, the concept of corporate governance can be viewed from at least two perspectives, the narrow view and the broad view, Olayiwola 2010, Solomon, 2010). The narrow standpoint aims to maximize and protect the shareholder, while from the 44 broader viewpoint; the corporation is responsible for a wider constituency of stakeholders other than shareholders (Maher & Anderson, 2000).

From the narrow viewpoint, Shleifer and Vishny (1997) define corporate governance in terms of the ways in which suppliers of finance to a firm assure themselves of a good return to their investment. This definition is shallow in that it emphasizes the suppliers of finance and does not recognize the relationships between a firm's stakeholders and managers. Similarly, the Cadbury Committee defines a governance system as 'the system by which companies are directed and controlled' (Cadbury, 1992). The Australian Standard (2003) defines corporate governance as the process by which organizations are directed, controlled and held to account.

Sheikh and Chatterjee (1995) define corporate governance as 'a system whereby directors are entrusted with responsibilities and duties in relation to the direction of a company's affairs', while Sternberg (2004, p. 28) views it as 'ways of ensuring that corporate actions, agents and assets are directed at achieving the corporate objective established by the corporation's

shareholders. More specifically it is the framework by which the various stakeholder interests are balanced, or, as the IFC states, “the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders.

Corporate governance is the system of management and control of companies, according to the Cadbury Committee, United Kingdom, 1992. This includes the whole operation of a company, as well as an attempt to establish systems for checks and balances between shareholders, board members, employees, auditors and management. Corporate governance is the system by which business corporations are directed and controlled.

The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. The Institute for Company Secretaries in India defines corporate governance as the implementation of good management practices, compliance with applicable law and a true commitment to ethical standards on effective wealth distribution and social responsibilities towards sustainable development of all stakeholders.

Corporate governance is a key element for improvement of investors’ confidence, increase of competitiveness and improvement of economic growth (Wolfensohn et al. 2014). Good corporate governance can help to prevent corporate scandals, fraud, potential civil and criminal liability of companies, enhances image and reputation of a company and also makes it more attractive to investors, suppliers, customers and other stakeholders of the company.

Corporate governance as a system in which firms are strategically organized, actively run and comprehensively controlled through an entrepreneurial and ethical approach that is suitable to each particular context (Martin Hilb, 2011). It's a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors and other stakeholders (Muriithi, 2009).

It has also been defined as a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers (Sifuna et al. 2012).

The OECD paper defines corporate governance as a system by which business corporations are directed and controlled. The corporate governance structures specify the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it provides the structure through which company's objectives are set, and the means of attaining those objectives and monitoring of performances (OECD, 1999).

2.1.3 Need for and Importance of Corporate Governance

The effectiveness of corporate governance depends on the application of the laid down principles and mechanisms in a manner which benefits stakeholders, as well as broader industries and economic sectors. Corporate governance promotes efficient use of resources within the firm and the larger economy. It also helps firms to attract low-cost investment capital through improved investor and creditor confidence, both nationally and internationally. It also increases the firms' responsiveness to the need of the society and results in improving long-term performance (Gregory & Simms, 1999). According to Banks (2004) companies that are properly governed promote financial and economic stability and increases national and global growth rates, whereas poorly governed companies do the opposite. Good corporate governance also brings better management and prudent allocation of the company's resources, and enhances corporate performance which would significantly contribute to the company's share price and increasing the values of shareholders (Keong, 2002).

The need for corporate governance arises from the growing concern that boards of directors and management of companies are failing to comply with financial reporting and accountability standards, leading to significant losses for investors. In fact, a lot of big companies are transnational. These companies, for example, have an impact on citizens of several countries around the world.

Many countries are going to be affected, some of them more severely than others, if things go wrong. So, as well as considering the possibilities of transnational solutions to companies' governance challenges, it is also important to pay attention to the world at large. To create a culture of awareness, transparency and openness in the company, corporate governance is needed. In order for companies to maximize shareholders' long-term value, it refers to a mix of legislation, rules, regulations, procedures and practices which can be applied voluntarily. This should result in a higher level of customer satisfaction, shareholder value and wealth. With greater public awareness, the focus has shifted from economic to social issues and a new environment is in place to ensure better transparency and accountability. It's essential to the very character of a company and can be summarized as follows:

a) Corporate scams: Scandals in the corporate world, whether centered on corruption, bribery, fraud, or greed tend to have a significant impact on the economy as a whole. The need for corporate governance is, then, imperative for reviving investors' confidence in the corporate sector towards the economic development of society

b) Wide Spread Shareholders: In today's era, a company has a very large number of shareholders spread all over the world. The idea of shareholders' democracy remains confined only to the law and the Articles of Association which requires a practical implementation through a code of conduct of corporate governance.

c) Changing Ownership Structure: The pattern of corporate ownership has changed considerably, in the present-day-times with institutional investors and mutual funds becoming largest shareholders in large corporate private sector. These investors have become the greatest challenge to corporate managements, forcing the latter to abide by some established code of corporate governance to build up its image in society.

d) Globalization: Desire of more and more companies to get listed on international stock exchanges also focuses on a need for corporate governance. There is no doubt that international capital market recognizes only companies well- managed according to standard code of corporate governance.

2.2. Theories of Corporate Governance

There are various theories that can be used to explain Corporate Governance conventions and also the issues that arise as a result of these conventions (Rashid,2011). These theories include the agency theory, stakeholder theory, stewardship theory and resource dependency theory (Sanda and Garba, 2005; David and Tobias 2013). These four theories as the main and most significant theories of corporate governance are explained further respectively below

2.2.1. Agency Theory

Agency theory is based on the distinction between the shareholders of a company or an organization designated as the principal and the executives appointed to manage the company called the agent. It argues that the objective of the agent is different from that of the principal, and they are contradictory (Johnson, Daily, & Ellstrand et al., 2012). In return for financial gain, the principal invests his money in the company and takes risks.

Managers (agents), on the other hand, are risk averse and want to maximize their profits. As a result, the agent's and principal's risk tolerances are not in sync, resulting in agency conflict. When the managers or executives opt to behave in a manner that drives them towards self-motivation, goal attainment and self-actualization, they will naturally align their ambitions with the organization's goals (Schillemans & Bjurstrom, 2020).

It is assumed that, in their absence from direct management of the company, the directors are suffering an agency loss which amounts to a lower return on investment. Part of the return that they could have had if they were managing the company directly goes to the agent.

Consequently, the agency's theories suggest a reward system that can incentivize managers to maximize owners' profits by encouraging them to earn more than they need to do (Eisenhardt, 1989). The Agency theory therefore argues that the members of the Board should include not only executives but also other directors in order to monitor managers' performance. By including independent directors to avoid conflicts of interest and finding that independent directors have a significant impact on the performance of the company, the board should also be structured in such a way as to ensure the independence of the decision-making process (Malik and Makhdoom, 2016).

Further, a board developed from the perspective of the agency theory tends to exercise strict control, supervision, and monitoring of the performance of the agent in order to protect the interests of the principals (Hillman & Dalziel, 2003).

In other words, the board plays an active role in most management decisions and is held accountable to shareholders. A Nonprofit Board, which adopts an autonomous management approach to that of stakeholders, will operate within the framework of agency theory. A two-tier form of company control managers and owners is assumed by agency theory in relation to corporate governance. According to the agency's theory, those two groups will be subject to some friction and mistrust. Therefore, a web of contractual relations between various interests' groups with an interest in the company is the cornerstone of its corporate structure. The relationship of agents and principals is explained by agency theory. The agent shall act as the principal in a particular business transaction and shall be expected to act in the best interests of the principal without regard to his own interests.

Conflict may arise between principal and agents' interests, in view of the fact that certain agents are not always able to act with due regard for their principal. Depending on the situation, there may be different problems in companies because of miscommunication and disagreement.

The incompatible desires may lead to tension between each interested party, leading to inefficiencies and financial losses. This leads to the problem of principal agents.

If the interests of the principal and the agent are in conflict, the principal agent problem occurs. Through a solid corporate policy, companies should seek to minimize these situations. These conflicts present normally ethical individuals with opportunities for moral hazard. Incentives to shift agent behavior so that these interests are aligned with the principal should be used.

In changing rules governing the activities of an agent and restoring principal interests, corporate governance may be applied. The principal must overcome a lack of information on the performance of his agent when he appoints him as an agent who represents the interests of the principal. In order for agents to act on behalf of the principal, they have to be incentivized.

The Agency Theory can be used to design the incentives in such a way as to take into account what interests compel an operator to act. It is necessary to abolish incentives that encourage bad

behavior and introduce rules for discouraging moral hazard. Businesses are making better business policies by being able to identify the mechanisms that lead to problems.

2.2.2 Stewardship Theory

Stewardship theories argue that the managers or executives of a company are stewards of the owners, and both groups share common goals (Davis, Schoorman, & Donaldson, 1997). Therefore, as agency theory would have suggested, the Governing Board should not exert too much control. By empowering managers and increasing their potential for higher performance, the Board should play an active role in this direction (Hendry, 2002; Shen, 2003).

Stewardship theories argue for relationships between board and executives that involve training, mentoring, and shared decision making (Shen, Sundaramurthy & Lewis, et al 2014). Most theories of corporate governance use personal self-interest as a starting point. Stewardship theory, however, rejects self-interest. Agency theory begins from self-interested behavior and rests on dealing with the cost inherent in separating ownership from control. Managers are assumed to work to improve their own position while the board seeks to control managers and hence, close the gap between the two structures.

2.2.2. Resource Dependency Theory

The theory postulates that the board of a firm is critical because it provides resources to the managers who in turn utilize them to achieve organizational objectives (Hillman & Dalziel, Hillman & Dalziel, et.al 2021). The theory recommends the board to provide support to the executives, finance, human, and intangible properties. Board members with expertise and professional should provide training and mentoring to executives to help them improve their skills and performance. Board members can also connect the organization with their personal networks, bringing in vital resources. The theory suggests that the majority of corporate decisions should be carried out by senior executives and, where appropriate, some are presented to the board for approval.

In the field of banking, stakeholder theory is driven by an efficient governance structure that increases confidence and transparency with a view to satisfying depositors, shareholders and others involved in business (Vicnente-Ramos et al., 2020). Resource dependency theories focus on board of directors' roles in access to resources needed by an enterprise, while stakeholder theory addresses relationships with numerous groups for the purpose of a particular benefit.

Hillman and Al. (2000) claim that resource dependency theory focuses on the role played by directors in obtaining or securing important resources for an organization through their connection to the external environment.

In fact, Johnson and al. 1996 propose that resource dependence theorists focus on the establishment of representative bodies of independent organizations in order to access resources essential for a company's success. It has been argued that the availability of resources increases organizational functioning, firm performance and its survival (Daily et al, 2003). It deals with the effect of external resources on an organization's behavior and has implications for optimum divisional organization, recruitment of board members and employees, production strategies, contract structures, external organization links as well as other aspects of the organizational strategy (Pfeffer and Salancik (1978).

Resource dependence concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Although executive decisions have more individual weight than non-executive decisions, in aggregate the latter have greater organizational impact.

Hillman, Canella and Paetzold (2000) contend that resource dependency theory focuses on the role that directors play in providing or securing essential resources to an organization through their linkages to the external environment.

According to Hillman, Canella and Paetzold (2000) that directors bring resources to the firm, such as information, skills, access to key constituents such as suppliers, buyers, public policy makers, social groups as well as legitimacy. A Resource Dependence Theory Perspective" by Pfeffer and Salancik (1978) marks the starting point of Resource Dependence Theory. The theory's fundamental assumption is that organizations are not self-sufficient, but depend on resources provided by their environments to achieve organizational goals (Hillman, Withers, and Collins (2009); Pfeffer and Salancik (1978)).

Because of the division of labor management also depends on the resources such as work effort, expertise, and organizational connections provided by individual employees, work groups, or departments (Bartol and Martin et al, 2014)). The degree to which management depends on any employee is defined as the inverse of the power that same employee has over his or her manager.

The more critical and the less substitutable the resources subordinates use to derive their contributions are to management's ability to achieve defined goals, the higher the employee power, and with it the degree of managerial dependence, will be. As a response, managerial dependence will trigger actions such as management control to ensure that goals are achieved (Bartol and Martin, Green and Welsh et. al 2014). The resource-based view thus promotes the inclusion of professionals on a company's board of directors, emphasizing the importance of outside directors who bring best practices and connections from other companies.

The theory also advocates for a larger board of directors to accommodate more directors with a wide range of experience and knowledge. Non-executive directors and professionals with a wide range of experience and skills should be included on a company's board of directors (Ghazali, Ujunwa, Francis and Mori, et al 2021).

2.2.4. Stakeholder Theory

Stakeholder theory has developed gradually since the 1970s. One of the first expositions of stakeholder theory, couched in the management discipline, was presented by Freeman (1984), who proposed a general theory of the firm, incorporating corporate accountability to a broad range of stakeholders. Since then, there has been an abundance of writing based on stakeholder theory, across a wide array of disciplines (Donaldson and Preston, 1995). The stakeholder theory focuses on relationships with many groups for individual benefits; resource dependency theory concentrates on the role of board directors in providing access to resources needed by the firm.

It may be viewed as a conceptual cocktail, concocted from a variety of disciplines and producing a blend of appealing sociological and organizational flavors. Indeed, stakeholder 'theory' is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational social science (Wheeler et al., 2002). A basis for stakeholder theory is that companies are so large, and their impact on society so pervasive that they should discharge accountability to many more sectors of society than solely their shareholders. There are many ways of defining stakeholder theory and 'stakeholders', depending on the user's disciplinary perspective. One commonality characterizing all definitions of stakeholders is to acknowledge their involvement in an 'exchange' relationship (Pearch, 1982; Freeman, 1984; Hill and Jones, 1992).

Not only are stakeholders affected by companies but they in turn affect companies in some way. They hold a 'stake' rather than simply a 'share' in companies. Stakeholders include shareholders, employees, suppliers, customers, Defining corporate governance creditors, communities in the vicinity of the company's operations and the general public. The most extreme proponents of stakeholder theory suggest that the environment, animal species and future generations should be included as stakeholders. The stakeholder relationship has been described as one of exchange, where the stakeholder groups supply companies with 'contributions' and expect their own interests to be satisfied via 'inducements' (March and Simon, 1958). According to stakeholder theory decisions made regarding the company affect and affected by different parties in addition to stockholders of the company. Hence, the managers should on the one hand manage the company to benefit its stakeholders in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long-term stakes of each group (Fontain et al., 2006).

2.3. Principles of Good Corporate Governance

Gregory and Simms (1999) observed that corporate governance's practices vary across countries and industries, reflecting differing societal values as well as differing ownership structures, business and competitive conditions. It can also be due to differences in the strength and enforceability of contracts, the political standing of shareholders and debt holders as well as the development and enforcement capability of the legal system.

In the developed countries, the principles of good corporate governance comprises of deep rooted and regulated securities markets and laws which recognize shareholders as the legitimate owners of corporations whilst at the same time ensuring the equitable treatment of minority and foreign shareholders; enforcement mechanisms protecting the rights of shareholders, laws to protect against fraud on investors; sophisticated courts and regulators; an experienced accounting and auditing sector and significant corporate disclosure requirements. In addition to this, the developed countries also have well developed private sector institutions such as organizations of institutional investors, professional associations of directors, corporate secretaries and managers, as well as rating agencies, securities analysts and a sophisticated financial press.

On the contrary many emerging countries have not yet developed fully their legal and regulatory systems, enforcement capacities and private sector institutions required for effective corporate governance. There is in many of these countries, a need for further development of the stock exchange, systems for registering share ownership, enactment of laws for the protection of minority shareholder interests, the empowerment of a vigilant financial press, the improvement of audit and accounting standards and a paradigm shift in the mindset against the widespread tolerance of bribery and corruption as an unavoidable cost of doing business in some of these countries.

According to the Millstein Report (1998), corporate governance takes place within the corporation and as such it depends very much on investors, boards and managements for its successful implementation. The report noted that for corporate governance to be effective in attracting capital, it must focus on four important areas:

Fairness: it is a concept is linked to ethical behavior and integrity (honesty). There should also be fairness in the treatment of minority shareholders when there is a majority shareholder or dominant shareholder. It might seem fairly straightforward in developed countries where the rights of minority shareholders are protected to a large extent by company law. In some countries, however, minority shareholder rights are often disregarded by the larger shareholders and the board of directors. Other stakeholders should also be treated in a fair and ethical way a concept that is linked to ethical behavior and integrity (honesty). For example: There should also be fairness in the treatment of minority shareholders when there is a majority shareholder or dominant shareholder.

This concept might seem fairly straightforward in the UK, where the rights of minority shareholders are protected to a large extent by company law. In some countries, however, minority shareholder rights are often disregarded by the larger shareholders and the board of directors.

Other stakeholders should also be treated in a fair and ethical way. It is also ensuring the protection of shareholder rights in particular the rights of minority and foreign shareholders. These rights can be strengthened by ensuring the enforceability of contracts made by the providers of capital.

Transparency: Transparency means openness. In the context of corporate governance, this is a willingness by the company to provide clear information to shareholders and other stakeholders about what the company has done and hopes to achieve, without giving away commercially sensitive information. It might be useful to think of openness in terms of its opposite, which is to be a ‘closed book’ and refuse to divulge any information whatsoever. Transparency should not be confused with ‘understandability’. Information should be communicated in a way that is understandable, but transparency is concerned more with the content of the information that is communicated. A principle of good governance is that stakeholders should be informed about what a company is doing and plans to do in the future, and about the risks involved in its business strategies. by the timely disclosure of adequate, clear and comparable information concerning corporate performance, governance and ownership.

Accountability: Decision-makers who act on behalf of a company should be accountable for the decisions they make and the actions they take. In a company, the board of directors should be accountable to the shareholders, the company’s owners. Shareholders should be able to assess the actions of their board of directors and the committees of the board, and have the opportunity to query them and challenge them. A problem with accountability is deciding how the directors should be accountable, and in particular over what period of time. According to financial theory, if the objective of a company is to maximize the wealth of its shareholders, this will be achieved by maximizing the financial returns to shareholders through increases in profits, dividends, prospects for profit growth and a rising share price.

It might therefore follow that directors should be held accountable to shareholders on the basis of the returns on shareholder capital that the company has achieved. By clarifying governance roles and responsibilities and by means of voluntary efforts to ensure the convergence of managerial and shareholder interests as monitored by the board of directors.

Responsibility: The board of directors is given authority to act on behalf of the company, and a further principle of corporate governance is that it should accept full responsibility for the powers that it is given and the authority that it exercises. A board of directors should understand what its responsibilities are, and should carry them out to the best of its abilities.

Accountability goes hand in hand with responsibility. The board of directors should be made accountable to the shareholders for the way in which it has carried out its responsibilities.

Similarly, executive management should be responsible for the exercise of powers delegated to them by the board of directors, and should be made accountable to the board for their achievements and performance. By ensuring corporate compliance with other laws and regulations reflecting the extant society's values.

2.4. Corporate Governance in Ethiopia

Corporate governance is at its infancy stage in Ethiopia; absence of comprehensive company law coupled with the obsolescence and inadequacy of the commercial code legislative provisions, which was enacted in 1960 are the basic reasons for poor corporate governance in Ethiopia (Hussein, 2012). Accordingly, the commercial code does not have adequate legislative provisions on governance issues related to the separation of supervision and management responsibilities, and on the composition, independence and remuneration of board of directors in companies.

Minga Negash (2008) observes that the status of corporate governance in Ethiopia is poor and notes that “the Commercial Code of 1960 does not provide adequate legislative response to complex governance issues and recommended for the enactment progressive corporate governance codes and standards in Ethiopia. Corporate governance refers to a system of rules and institutions that determine the control and direction of a company and that define relations among the company's primary participants including board of directors, managers, shareholders and other stakeholder.

Good corporate governance enhances the confidence of investors in the companies and positively contributes towards the overall business environment. Well-governed companies often draw huge investment premiums, get access to cheaper debt, and outperform their objectives.

The Commercial Code of Ethiopia (hereinafter the Commercial Code) incorporates provisions pertinent to the governance of share companies. However, such provisions are inadequate to address specific issues in corporate governance related to board of directors such as separation of roles of nonexecutive directors and CEOs, composition and independence of the board as well as director's remuneration. Moreover, proclamations and directives governing financial share companies in Ethiopia do not sufficiently address the aforementioned issues (Hussein, 2012).

According to NBE directive SIB/42/2015, corporate governance plays a vital role in maintaining the safety and soundness of financial sector in general and insurance sector, in particular and gives the way to balanced risk taking, enhance business prudence, prosperity and corporate accountability with the ultimate objective of realizing long term shareholder value as well as customers and other stakeholder's interest.

2.5. Insurance Companies in Ethiopia

Insurance Business in Ethiopia is as far back as a modern form of banking service in Ethiopia, which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British-owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which was introduced in Ethiopia by foreigners, marks out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. According to a survey made in 1954, nine insurance companies were providing insurance service in the country. Except for imperial insurance company that was established in 1951, all the remaining insurance companies were either branches or agents of foreign companies.

In 1960, the number of insurance companies increased considerably and reached 33. At that time, insurance business like any business undertaking was classified as a trade and was administered by the provisions of the commercial code (Hailu, 2007). In the last few decades, the Ethiopian financial institutions in general and insurance companies, in particular, have shown impressive progress in terms of number and service which not only creates employment opportunities but also enhances the business activities in the Ethiopian economy (Hailu, 2007).

The first significant event that the Ethiopian insurance market observed was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control and regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries, and 11 assessors under the provisions of the proclamation immediately in the year after the issuance of the law (Hailu, 2007).

Before the commencement of modern insurance service in the country, there have been traditional practices by which people help each other whenever they face either financial difficulties or needs assistance. “Edir” and “Ekub” are Examples of such traditional practices and have some similarities with Modern Insurance.

In the case of “Edir” people form an association where by each member contributes a fixed sum, normally monthly, to a common fund from which predetermined compensations are paid to members upon occurrence of unforeseen events such as death of family members or relatives. The compensation is meant to cover expenses that a member would incur as the result of the incident.

The “Edir” also owns physical assets like tents, household goods like plate and drinking cups, chairs and the like used mainly during the periods of mourning. The other insurance type of associations is “Ekub”. “Ekub” members contribute a fixed sum of money weekly, fortnightly, or monthly to a pool of fund and lots are cast where upon the winner receives the money so collected and uses it for a project if he or she has owned or sell it to another member at a premium. If something happens to a member, who had already taken the money that would not enable him to continue contributing to the fund, his guarantor will have to be held responsible. The initial phase started in 1905 when insurance business used to be transacted by an Egyptian Bank which served as agent of foreign insurance company. The proclamation defined 'domestic company' as a share company having its head office in Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies. After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises.

Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase.

Before October, 2003 in Ethiopia the corporate governance of banks and insurance firms is directed and supervised by the central bank. The National Bank of Ethiopia monitors and controls the insurance business and functions as regulators of the country's money supply. Accordingly, National bank of Ethiopia issued directives on the size, composition and competence of board of directors.

According to banking business Proclamation (No. 592/2008) the national bank is responsible to issue directives on the qualification and competency to be fulfilled by directors; the minimum number of directors in the membership of the board of a bank; the duties, responsibilities and good corporate governance of the boards of directors of bank; the maximum number of years a director may serve in any bank. In October 2013 Addis Ababa Chamber of Commerce and Sectorial Associations (AACCSA) is actively pursuing the establishment of a non-government, private and voluntary membership-based organizations and finally they established Institute of Corporate Governance (ICG).

2.6. Financial Performance

The term corporate performance refers to the benefits emanating from shares and those from the functioning and operational activities of a firm (Rouf, 2012). The performance a firm can be analyzed via its financial statements such as the statements of financial position, comprehensive incomes, cash flow and statement of cash flows. Generally speaking, financial ratios that express the correlation between variables reported on a firm's balance sheet can be used for analyzing its performance (Latridis, 2010).

When compared with other important relevant meaningful information, such as current or historical similar indicators for the same company or similar companies in the same industry, financial ratios are useful and can be effectively used to measure performance. In general, according to Akle (2011) accounting measurements are considered to be an effective indicator for the performance of a company. The profitability of companies on a short-term basis in recent years is measured by accounting-based measurement. That is why it aims at helping management to measure the firm's overall effectiveness. Based on levels of sales, assets, capital employed, net worth and earnings, they are normally used to measure profits earned by a company during the period. It is considered an indicator of growth, success and control.

The performance or value of a firm can be seen as the amount of utility or benefits derived from shares of a firm by the shareholders. Firms with high value from the sales of their shares can be said to be performing well financially. Such high valued firms attract investors a lot thereby increasing the firm's prospect of further expansion.

Generally speaking, the measure of how a company is using its assets for generating revenues is considered to be firms' financial performance. It is the company's financial condition over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio, liquidity, leverage, solvency, and profitability (Fatihudin, 2018). If a company is utilizing its assets in a better way than its peers or competitors, it can be deemed to be doing well from a financial performance perspective.

There are several basic measures of financial performance. These can be expressed as financial ratios which are used to appraise performance by focusing on the company's financial statement; the balance sheet, income statement, and cash flow statements (Engle, 2010). The estimates of return on equity (ROE) and return on assets (ROA) are the key metrics employed in such an assessment.

Shareholders also are interested in profitability since it indicates the progress and the rate of return on their investments. According to Gentry and Shen (2010) to assess the financial aspect of firm performance, organizational researchers generally use either accounting-based measures of profitability such as return on assets (ROA), return on sales (ROS), and return on equity (ROE), return on investment (ROI), or market-based measures such as Tobin's Q and market return which indicate the market value or the share of the firm as well as the financial prospect of the firm in the future.

Using the figures from the financial statements, accounting based measures, including profitability, efficiency, liquidity, gearing and investment ratios, are calculated, which may represent the financial performance of the company. These ratios show that the company is able to generate income or earnings from resources in which it holds a stake. In contrast, practically, due to the rising mistrust of accounting data from the firms, it has been suggested that investors should employ market indicators for decision making (Nguyen, 2021).

In the accounting literature, corporate performance can be measured by means of profitability indicators such as earnings per share (EPS), dividend per share (DPS), return on asset (ROA), return on equity (ROE), operating profit (OP), return on capital employed (ROCE), profit margin (PM), return on investment (ROI) or market-based measurement ratios like Tobin's Q, market value added (MVA), market-to-book value (MTBV), annual stock return (RET) among others.

The choice of whether to use accounting or market-based calculations for measuring a firm's financial performance depends upon the specific aims of the research (Emmanuel, et al., 2017). Therefore, for the purpose of this study the researcher used return on equity (ROE) as proxy measure of financial performance of targeted insurance companies in Ethiopia.

2.7. Corporate Governance Mechanisms

The importance of corporate governance internationally has increased in the last decades since the financial crises, technological progress, and liberalization, opening up of financial markets, trade liberalization and mobilization of capital. Corporate governance is considered a mainstream concern in companies' boardrooms, among academics and legislators, and throughout businesses as an essential framework for firms (Claessens, Djankov & Lang, 2000). Corporate governance mechanisms are the procedures employed by companies to solve corporate governance problems; however, the use of these mechanisms depends on the corporate governance system (Weimer & Pape, et al. 2014). Mechanisms for corporate governance can be divided into two parts: internal and external mechanisms (Fan, Lau & Wu, 2002).

External corporate governance mechanisms refer to the components by which actors are external to the direct administration or management of firm, while internal governance mechanisms refer to the structural components that serve to mitigate the principal-agent problem (Kiel & Nicholson, 2003; Weir, Laing & McKnight, 2002).

Consequently, the main objective of corporate governance mechanisms, in particular boards of directors, is to monitor management operations and processes (Gillan, 2006). Clearly, adopting better internal mechanisms of corporate governance, such as an enhanced board and audit committee, improves the monitoring of management and reduces information asymmetry problems (Aldamen et al., 2012). Therefore, firms need internal mechanisms of corporate governance to mitigate the probability of having agency problems.

The agency theory is assumed to afford a foundation of corporate governance through the use of internal corporate governance mechanisms. Previous studies have found that corporate governance mechanisms affect firm performance (e.g., Martha ,2008, Haileab,2014, Bedilu, 2016, Tewodros, 2020, Bayelign et al., 2021, Husen, 2012, Thomsen et al., 2006; Hu & Izumida, 2008; Kajola, 2008; Khaled,2014, Abraham, 2015, Lupu & Nichitean, 2011).

2.8. Corporate Governance Mechanisms and Financial Performance

2.8.1. Board size and Financial Performance

Board size: it's the number of directors in the board. In determining the efficiency of a board of directors, they play the advisory services and supervision functions (Raheja, 2005; Adams & Ferriera, 2007). Therefore, the board of directors has been considered to be an essential corporate governance mechanism with a view to ensuring that interest between managers and all interested parties in the company (Garba & Mikailu 2011). There is a view that larger boards are better for firm value because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate.

However, Jensen (1983) argues that small boards are less effective and easier for the Chief Executive to control. However, smaller boards have reduced the possibility for free riding and increased accountability of individual directors. The scale of boards and corporate value will therefore be linked either positively or negatively. Therefore, based on the literature the researcher develops the underlying hypothesis.

Board size is the total number of directors on a board (Panasian et al. 2003, levrau and van den berghe, 2007). An optimal board size should include both executive and non-executive directors (Goshi et al., 2002). The effectiveness in structuring the board is important for governing the company. Jensen and Mackling et al.,2014) argued that a bigger size board of directors may improve the companies' board effectiveness and support the management in reducing agency cost that resulted from poor management and consequently leads to better financial results. There is a view that larger boards are better for firm value because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. Dallas, G (2004), states that the size of the board has positive effect and is an important governance consideration. However, some authors have advocated for smaller boards.

Adetunji and Olawoye (2009) argue that board size determines the number of directors in a board and the board should be of reasonable size, and the terms of its directors should be fixed and advocates for optimal size of board of directors for good corporate governance as well as performance in the firm. Lipton & Lorsch (1992); Jensen (1993) suggested limiting the size of a board enhances board effectiveness. They argue that small or moderate board size allows members to know each other and gives an opportunity to discuss on matters and to reach on an agreement.

On the contrary, Pearce & Zahra (1992) argue that larger boards have the advantage of multiple networks which enables to provide better access to firm's stakeholders, risk reduction as well as acquisition of critical organizational resources needed for firm performance. Lipton and Lorsch (1992) argue that board size should be small and limited: a board size of 8–9 directors is optimal for coordination and communication, because if the board has more than 10 members, it is not easy for directors in the board to indicate their opinions and ideas.

However, Dalton and Dalton (2005) argue that the advantage of larger boards is the spread of expert advice and opinions around the table compared to a small board. Larger boards are expected to increase board diversity in relation to experience, skills, gender and nationality.

The Cadbury Committee (Cadbury, 1992) recommends an ideal board size of 8–10 members, with an equal number of executive and non-executive directors. Jensen (1993) argues that the optimum board size should be around 7–8 directors. According to the national bank of Ethiopia insurance corporate governance directive 42/SIB/2019 an insurer shall have at least nine board directors.

2.8.2. Board remuneration and Financial Performance

Remuneration is a form of salaries, allowances or incentives and bonuses received by the employee (I. Oviantari, 2011). It may comprise of cash remuneration and any other remuneration based on shares that are associated with short-term performance and long-term directors' compensation. Board of directors' remuneration is commonly used as an incentive that can affects strategies planned and decisions made by directors which cause great impact on firm performance and profitability (M. W. Mohd Razali, et al. ,2018). It mainly concerns with the extent to which the directors are remunerated in ways that align their interests with those of their firms' owners (M. C. Jensen and W. Meckling et al.2014).

The importance of incentive alignment solution to agency problems when they propose that executive compensation should be designed in such a way that can reduce the degree of conflict of interest between shareholders and managers. Theoretically, effective compensation system is the one that motivates managers to forego their opportunistic behaviors and focus on value maximization activities (Z. Ramly and H. M. A. Rashid, 2010).

Remuneration is proved to be effective tool in mitigating all the major organization problem arises between investors and directors' issues (Shao, Chen, and Mao 2012). Perry & Zenner (2001) however salary is said to be a contract which is tied to performance. An optimal performance theory suggests that optimal director remuneration is something that results in dramatic change in performance. Remuneration consists of fundamental pay plus various other payments depending upon the nature of task and the department in which the director is involved. Normally other payment is the performance-based profit which could be in terms of share or bonus. However, the performance is measured in terms of both short term and long-term corporate performance.

Holm & Zaman (2012) and Monem and Ng (2013) has establish the responsiveness of swap of director salary to shareholder wealth. Bebchuk & Fried (2003) it's been observed from the decades that the literature that is been available is mostly derived from the agency theory. However, agency theory is known for its contradiction between agents working as management of the company whose aim is to get amplified pay and owner or principal of the company who always strive for higher profits from the company (Villalonga & Amit, 2006).

Jensen and Murphy (1990) have stated in his studies that the conflicting observation between owner and management is because of the information asymmetry between the two. However, this could be resolved if attractive remuneration is offered based on the organization performance and based on their contribution to that performance. In such manner focus of the whole management will be on the activity which will ultimately lead to higher profit to owner and enhancement of shareholder's wealth.

Several studies investigated the impact of directors' remuneration on the firm performance. For instance, (Noor Nasyikin Md Zain, et al., 2019) found that that directors' remuneration has negative impact on the firm performance from the perspective of a shareholder and investor which means high remuneration does not able to motivate and retain directors in order to

perform their duty and work harder for the best interest of shareholders. However, (Akansha Singhal and Om Prakash Agrawa, 2021) found that board remuneration has significant positive impact on financial performance of the companies.

2.8.3. Debt financing and financial performance

Debt financing is one of the important governance mechanisms in aligning the incentives of corporate managers with those of shareholders. According to agency theory, debt financing can increase the level of monitoring over self-serving managers and that can be used as an alternative corporate governance mechanism (Jensen MC, 1986 and Tolosa et al., 2021). This theory argues two ways through debt finance can minimize the agency cost: first the potential positive impact of debt comes from the discipline imposed by the obligation to continually earn sufficient cash to meet the principal and interest payment. It is a commitment device for executives. Second leverage reduces free cash flows available for managers' discretionary expenses.

Literature suggests that when leverage increases, managers may invest in high-risk projects in order to meet interest payments; this action leads lenders to monitor more closely the manager's action and decision to reduce the agency cost. Firms can really maximize value by using more debt in their operations so as to take advantage of the tax shield benefits of leverage Modigliani and Miller (1963). According to Champion (1999), and Leibenstein (1966), all contends that companies can use more debt to enhance their financial performance because of debts' capability to cause managers to improve productivity to avoid bankruptcy. Debt financing is one of the important governance mechanisms in aligning the incentives of corporate managers with those of shareholders.

According to agency theory, debt financing can increase the level of monitoring over self-serving managers and that can be used as an alternative corporate governance mechanism (Jensen MC ,1986 and Tolosa et al., 2021). In view of the mentioned literature the following research hypothesis has been formulated. Koke J, Renneboog L (2005) has found empirical support that a positive impact of bank debt on productivity growth in German firms. Also, studies Sami H, Wang J, Zhou H (2011) and Vicente-Lorente JD (2001) examine empirically the effect of debt on firm investment decisions and firm value; reveal that debt finance is a negative effect on corporate investment and firm values.

Pant M, Pattanayak M (2010) found that there is a significant and negative relationship between debt intensity and firm productivity in the case of Indian firms. In the Chinese financial sectors, banks play a great role and use more commercial judgment and consideration in their leading decision, and even they monitor corporate activities (Tian L and Estin S, 2007).

In China listed company, Tian L, Estin S (2007) and Sami H, Wang J and Zhou H (2011) found that an increase in bank loans increases the size of managerial perks and free cash flows and decreases corporate efficiency, especially in state control firms. The main source of debts is state-owned banks for Chinese listed companies (Tian L and Estin S, 2007) shows debt financing can act as a governance mechanism in limiting managers' misuse of resources, thus reducing agency costs and enhance firm values.

However, in China still government plays a great role in public listed company management, and most banks in China are also governed by the central government. However, the government is both a creditor and a debtor, especially in state controlled firms. Meanwhile, the government as the owner has multiple objectives such as social welfare and some national (political) issues. Therefore, when such an issue is considerable, debt financing may not properly play its governance role in Chinese listed firms.

2.8.4. Firm Size and Financial Performance

Firm size is one of the key factors for firms' performance and particularly shows the profitability of business (Oyelade, 2019; Isik et al., 2017). In order to determine profitability of the company, its improvement in performance and competitiveness on the market, it has always been a major factor that companies tried to grow their size (Opeyemi, 2019).

The size of a company is the amount and variety of production capacity and ability a company possesses or the amount and variety of services a company can provide concurrently to its customers (Johnson, 2007,). The increase in firm size is aimed at gaining from economies of scale. Economies of scale exist when a given proportionate increase in inputs results in a larger than proportionate increase in output.

Reinhard's (1983) oligopoly model suggests that size is positively related to a firm's ability to produce technologically complicated products which in turn leads to concentration. Such markets are supplied by few competitors and are therefore, more profitable. Thus, larger firms have

access to the most profitable market segments. Generally, the firm size of financial institutions has been measured using a combination of financial ratio analysis, benchmarking, measuring performance against budget or a mix of these methodologies (Avkiran, 1995). Dhawan (2001), who examined the relation between firm size and productivity for U.S. firms between 1970 and 1989, actually finds the opposition relationship between firm size and profitability.

Nagarajan & Burthwal (1990) revealed the Co-efficient of growth rate of sales was positive and significant, suggesting that factors on the demand side of a firm had a greater impact on profitability than on the supply side.

There are predefined methods for measuring the performance of a firm. The difficulty in relying on these measures is that different performance measures can conflict (Lumpkin & Dess, 1996).

Dess & Robinson (1984) reported strong and statistically significant relationships between the subjective comparative assessments of the 5-year performance of 18 businesses by their top management against other similar businesses in their industries, and the objective measures of return on assets and sales growth.

Hardwick (1997) argues that there is a positive relationship between performance and size due to operating cost efficiencies through increasing output and economizing on unit of cost. Large corporate size also enables insurers to effectively diversify their assumed risks and respond more quickly to changes in market conditions. Industrial organization economists such as Bain (1968) and Scherer (1980) have argued that large firms possess monopoly power which allows them to set prices above the economic costs involved in the production of the products resulting in additional profit for the larger firms. In terms of investment performance, Adams (1996) believes that large companies are able to diversify their investment portfolios and this could reduce their business risks. Grace and Timme (1992) suggest that large companies generally outperform smaller ones because they manage to utilize economies of scale and have the resources to attract and retain managerial talent. Therefore, it is expected that performance is positively related with size of company.

2.8.5. Executive Compensation and Financial Performance

Executive compensation refers to all forms of rewards from various sources accruing to top management staff and directors of a firm. The rewards are either short or long term in nature. They include salaries, bonuses, allowances, insurance, shares, pension contribution and perquisites, among others. Some elements of executive compensation like salary, allowances and insurance benefits are fixed, while the likes of bonuses and shares are paid on bases consistent with profit and other measures of financial performance (Sani Kabiru et al.; Saudi J et al., 2017). Executives who are improperly compensated may not have the incentive to perform in the best interest of shareholders, which can be costly to the shareholders.

The level of executive compensation and its relationship to firm financial performance are central issues in a generally heated debate among legislators, corporate directors, economists, financial journalist and compensation professionals (Sani Kabiru et al.; Saudi J et al., 2017).

Executive compensation is the financial and other non-financial benefits received by an executive in return for services rendered to an organization (Kim et al., 2017). It consists of fixed remuneration, variable remuneration based on performance, cash, shares or stock options, benefits, and other conditions, all of which are ideally designed to take account of government regulations, tax law, and the organization's and the executive's (Emmanuel et al., 2017). Due to its influence on the governance of an organization which is being taken very seriously by scholars and researchers, Shareholders, media, the public, and regulators & institutions it attracted considerable attention in recent years (Wang et al, 2021; El-Sayed & Elbardan, 2016).

The common rationale underpinning executive pay is that certain types of incentive components should be included in compensation schemes to encourage executives to spend their time and energy on the best interests of shareholders, Murphy, 1998). Such an incentive component is intended to link executive compensation with the performance of the undertakings they manage. Most of all, shareholders want to maximize their wealth. It can be used as an effective instrument for creating value for shareholders by improving their firm performance (El Akremi et al. 2001).

Corporate governance scholars have long attempted to understand a myriad of factors that underpin executive compensation. The most popular stream of research based on agency theory suggests that the board of directors and performance-based incentives are among the critical

governance mechanisms that allow reducing opportunistic behavior of executives and aligning their interests with those of shareholders (Tosi, et al., 2000).

Faulkender, et al. 2010 contextualize that over the last decade, we have witnessed two landmark events that have profoundly changed the perception of the role of finance in the public domain. The bursting of the dotcom bubble in 2000 and the ensuing corporate scandals triggered a collapse of well-known companies resulting in massive destruction of shareholder wealth as well as damage to other stakeholders. More recently, the end of the housing bubble and the subprime debacle led to a shutdown of the credit markets and the failures of vulnerable financial institutions.

The interest in the compensation of senior management in corporate enterprises stems from a concern about the motivation of management as well as concerns about equity and fairness. Stockholders in private enterprises desire maximization of stock returns for a given level of risk and they naturally wish that their firms design compensation systems that motivate senior executives to pursue policies that meet this objective (Firth, et al. 1996). Executive compensation is the financial and other non-financial benefits received by an executive in return for services rendered to an organization.

Empirically, Kim et al (2017) explained executive compensation as being composed of the financial compensation and other non-financial awards received by an executive from their firm for their service to the organization. This comprises of fixed salary, variable performance-based bonuses (cash, shares or stock options) and benefits and other prerequisites all ideally configured to consider government regulations, tax law, the desires of the organization and the executive (Emmanuel et al., 2017). Generally, it is set by the board of directors, specifically by the compensation committee consisting of independent directors, with the purpose of incentivizing the executive team, who have a significant impact on company strategy, decision-making, and value creation as well as enhancing executive retention. The executives of every company are significantly the decision makers, corporate strategy formulators and the overall value creators of the company.

Consequently, these executives should be incentivized so that they adopt those strategies, investments, and actions that result in an increase in shareholder value. In practice, previous studies (Ntim et al., 2019; El-Sayed & Elbardan, 2016) note that total executive compensation is

broadly comprised of two models. Firstly, the total cash remuneration that is fixed compensation (comprising the base salary, annual bonus, contribution, and other monetary pay and benefits-in-kind). Secondly, the Equity-based remuneration/ Variable compensation (the value of granted equity, value of awarded long-term incentive plans and options awarded either as intrinsic or estimated).

Similarly, Singh et al., (2021) argued executives' are said to play major roles in corporate governance, company's growth and development and in generating profits to the shareholders and are consequently entitled to two types of remunerations in the fixed remuneration which includes, basic salary, pension, housing allowances, and secondly performance-based remunerations which include bonus, shares, and share options. This study adopts the Nascimento et al. (2020)'s four dimensions of executive compensation, made up of salary emolument, bonuses, pension, and stock-based compensation, which are explained below.

Salary Emolument: This is a fixed amount of money paid to an employee by an employer in return for work done (Davis et al. 2022). Base salary is the largest component of the total compensation package for most employees which do not include other benefits from an employer (Hofmann, 2015). Unlike employee salaries which are paid monthly, or biweekly, executive salaries are usually set on a yearly basis.

According to Wu (2021), executive salary is designed as a motivating factor to improve the firm performance, hence increasing the firm's value.

Bonuses: These are awards given to managers if a given benchmark is achieved. (Singh et al. 2021; Omamo et al. 2022) opined that executive remuneration is a performance motivating tool that encompasses incentives in the form of cash bonuses which are awarded in lump sum when the operational year ends. The most common measures for bonuses are based on accounting data which elicits measures that are directly linked to the executives' specific areas of responsibility. Bonuses are usually paid to the executives upon attaining previously set goals. Studies have suggested bonuses to be a driving factor for performance, for instance, Omamo et al. (2022) argues executive bonuses are aimed at motivating executives to pay more attention on the company's key objectives of increasing shareholder value and in turn their own wealth. Cash bonuses are used to reward executives for their short-term successes in the firm (Singh et al.

2021). Singh et al. (2021) further argued that executive cash compensation (bonuses) is significantly positively associated with firm performance.

Stock-Based Compensation: Traditionally, stock-based compensation plans have been used by firms to reward top management and key employees and to link their interests with shareholders (Emmanuel et al., 2017). Previous studies suggest that granting equity to employees can align their interests with that of the shareholders of the company. The use of stock-based compensation as a solution to agency problems between shareholders and managers has increased dramatically. Riyadh et al., (2022) suggest managerial stock ownership motivates managers to improve performance, increasing the firm value which further confirms the similarities between the managers and shareholders in advancing the firm for the long term.

However, these contracts induce executives to make resource-allocation decisions designed to increase shareholder value sometimes at the expense of other stakeholders, including workers and taxpayers (Kotnik & Sakinc, 2022).

Pension: considered as a guaranteed payment to employees in retirement by the employer (Hlaing & Stapleton, 2022). It is a debt-like compensation, or unsecured debt claims against the firm, in favor of the executives (Hlaing & Stapleton, 2022).

Generally, it is expected that pension plan is set by the firm to pay executives a fixed amount at or after their retirement unless the firm goes to bankruptcy (Ngo et al. 2022). However, in the event of bankruptcy, the firm treats these pension plans as unsecured debts. Based on this defining feature, it is expected that executive pensions seamlessly align the manager's interests with that of (unsecured) debt holders. Performance-wise, executive pensions motivate executives to manage their firms conservatively to reduce the risk associated with their pension plans (Kwak, 2018).

2.8.6 Board Meeting and Financial Performance

It is number of meetings held by the board in a year. The members of the boards are expected to attend board meetings regularly in order to perform their duties effectively monitoring management's performance. It ensures that there is intensity and effectiveness in corporate monitoring of the operation of the management (Jensen, et al 2019). It allows members to interact and strengthen their common bond, fostering mutual understanding around strategic

decisions that will contribute to improved management performance by Lipton & Lorsch et al. (2014). The quality of management monitoring, which ensures a positive corporate performance, will be better if the board of directors meets more frequently (Natim, 2009).

Board Meeting refers to the meeting of directors of the company. Researchers found that the frequency of board meeting is related to better firm performance with inconsistent results finding a positive relationship between the frequency of board meetings and corporate performance (Demeke, 2016). Higher frequency of board meetings can result in a higher quality of managerial monitoring and positively impact corporate financial performance (Ntim, 2009).

Similarly, frequent meetings intermingled with informal sideline interactions can create and strengthen cohesive bonds among directors (Lipton & Lorsch, 1992), and there was a positive impact on corporate performance.

Frequency of board meeting as corporate governance are considered as important proxies for the time directors spend monitoring managerial performance and also as an important resource in improving the effectiveness of a board (Funmi,2014). When boards hold regular meetings, they are more likely to remain informed and knowledgeable about relevant performance of the company leading them to take or influence and direct the appropriate action to address the issue (Abbott et al., 2003; Funmi, 2014).

2.8.7 Product Market Competition and Financial Performance

The competitiveness of companies is crucial to the determination of company strategies at organizational level. These efficient strategies are used by the organizations in order to obtain competitive advantage (Mubeen et al. 2016). The competitiveness of products in the sector helps companies achieve their objectives, improve market shares, increase profitability and better company performance (Mueller, 2011; Giroud et al.,2016). Many organizations consider corporate competitive strategies to increase likely competitive advantages (Hitt et al., 1996), Co activities improve firm performance, increase business firms market share (Hussain et al., 2017; Franko, 1989) and enhanced organizations performance (Giroud and Mueller, 2011).

Because competition strategies are used as a significant tool for achieving firm objectives. A wide range of scholars have been paying attention in recent years, showing interest in company strategies and examining the relationship between firms' product competitiveness and business performance (Pant and Pattanayak, 2010; Sheikh, 2018; Javeed et al., 2020).

For instances, Raith (2003), pant and Pattanayak (2010) and Sheikh (2018) identified that products competition at marketplace positively improves business organizations performance. Based on this empirical literature the following hypothesis is formulated. The role of competition in the insurance sector cannot be understated as it helps in reducing risk and uncertainty (Antwi & Antwi, 2013; Claessens, 2009). In addition, competition enables efficient resources allocation, brings balanced development in a country, enhances product innovation, enhances prospects of economic growth, improves efficient production of financial services and reduces credit risk (Caminal & Carmen, 2002).

Competition should take place systematically since it can potentially lead to insolvency (J.A. Bikker & Boss, 2005). Competition gives firms continuing incentives to make their production and distribution more efficient, adopt better technology, and innovate (Cook et al., 2007). The benefits of competitive markets can be inferred from the negative social welfare effects of monopoly (Guzman, 2000). In a monopoly market, firms price their products above competitive prices which managers use to maintain cost at unreasonable levels. Managers then pursue other objectives different from profit maximization. Under monopoly, managers can use resources to sustain market power. Monopoly power may allow the persistence of inefficient managers, leading to increased cost inefficiency (Abel & Le Roux, 2017).

2.9. Empirical Studies

Despite the growing concern for corporate governance issue a number of studies have been conducted to examine the relationship between firm performance and corporate governance have been investigated by different researchers. For instance, (Noor Nasyikin, et al., 2019) investigated the impact of directors' remuneration on the firm performance and found that that directors' remuneration has negative impact on the firm performance from the perspective of a shareholder and investor which means high remuneration does not able to motivate and retain directors in order to perform their duty and work harder for the best interest of shareholders.

However, Akansha Singhal & Om Prakash Agrawal (2021) investigated the correlation between directors' remuneration and financial performance of pharmaceuticals companies and found that positive impact on financial performance of the companies.

Amir Nasir and Muhammad Azam et al. (2019) investigated the relationship between the listed firms' debt level and performance on the Pakistan Stock Exchange (PSX) found that both short- and long-term debt have negative and significant impacts on firm performance in profitability.

Anis Ali and Abdul Rahman Shaik (2019) has investigated the effect of debt financing on firm performance a study on energy sector of Saudi Arabia and found that it has a negative influence on business financial performance using return on asset and return on equity as measure of financial performance. However, Aniefor and Onatuyeh (2017) investigated the relationship between debt financing and corporate performance: a study of listed consumer goods firms in Nigeria using return on asset as measure of financial performance and found that debt financing has positively and significant influence on financial performance.

Thach Xuan Ha and Thu Thi Tran (2020) examined the impact of product market competition on firm performance through the mediating of corporate governance index: empirical of listed companies in Vietnam and showed that product market competition has positive effect firm performance .Another similar studies found that Chou et al. (2011) when higher product market competition will affect corporate governance system weaker because product market competition is a tool to replace corporate governance, putting pressure on managers to force them to economic benefits are created. Similar results are also found in the study of Ko et al. (2016), Chhaochharia et al. (2017), and Noghani and Noghani behambari (2019).

Isaac Kibet Kiptoo et al., (2021) had examined the relationship between corporate governance and the financial performance of insurance firms in Kenya. And found that board diversity, and board independence positively and significantly affects financial performance. However, board size has negative and significant relationship with financial performance. Shaheen, Y, Jaradat, and N. (2019) examined the impact of corporate governance on insurance firm's performance was by Shaheen, Y, Jaradat, and N. (2019) found that board meeting frequency and CEO status have a significant impact on firm's performance whereas board size, board committees. Ownership structure has no significant impact on insurance firm's performance while taking return on assets (ROA) and return on equity (ROE) are used to measure of performance.

Kingsley and Theophilus (2012) had been investigated the relationship between corporate governance and firm performance: evidence from the insurance sector of Ghana and found that large board size and annual general meeting are positively associated with the financial performance of insurance companies.

Bayelign and Ayalew et al. (2020) in their study entitled corporate governance and financial performance in the emerging economy found that board size, management soundness, board remuneration, and financial disclosure have a positive and significant effect on insurance company financial performance, whereas debt and dividend payout have a negative and significant impact on insurance company financial performance. Thus, the study concludes that all corporate governance measures have a significant impact on insurance companies' financial performance.

Gardachew (2015) examined the impact of corporate governance on financial performance of insurance companies in Ethiopia, and found that board size, board independence, board diversity, audit committee size, audit committee independence and board meeting frequency have insignificant effect on the financial performance while using return on asset as proxy measure of financial performance. Haileab (2014) examined impact of corporate governance mechanisms on firm's financial performance of insurance firms and found that board gender diversity, firm size have significant and positively influence financial performance. Whereas, board size and board composition have statistically insignificant impact on financial performance, but board size influence negatively and board composition influence positively the financial performance (measured by return on equity).

Abraham (2015) examined the impact of corporate governance on firm's performance. He also found that board meeting and board compensation and firm size had statistically significant positive impact on financial performance of insurance industry. But board size, age of the firm, audit committee and gender diversity did not reveal any significant impact on financial performance using return on equity as performance measurement variable.

Bedilu (2016) had examined the impact of corporate governance on financial performance showed that board size, chief executive compensation, educational qualification, proportion of female directors, meeting frequency, other business management experience of board had significant impact on financial performance while using return on asset as performance measurement mechanism. Whereas, board member industry specific experience and premium growth had insignificant impact on financial performance.

The effect of corporate governance on financial performance of insurance companies have also been investigated by Bansa (2015) using secondary panel data gathered from sampled nine insurance companies from 2005 to 2014 and primary data from selected chairman of board through administered interview. And found that chief executive compensation, educational qualification, other business management experience of board and board member industry specific experience of directors have positive and significant impact of financial performance but, board member industry specific experience and presence of female directors did not show statically significant impact on financial performance measured by return on assets.

Tewodros (2020) has also examined the impact of corporate governance on the financial performance of insurers in Ethiopia showed that firm size, board subcommittee size and liquidity have a significant positive impact on ROA of insurers. Whereas, board size, meeting frequency of the board, educational qualification of board members, board gender diversity, business management experience of the board and dividend payment policy have had insignificant impact on ROA of Ethiopian insurers.

To sum up the empirical reviews, empirical literature on the extent to which external corporate governance mechanisms influence financial performance of firms in Ethiopia has not been found. Therefore, it requires further investigation on the impact of corporate governance on financial performance of firms in light of those untouched external corporate governance controlling mechanisms.

2.10. Conceptual Framework of the Study

Based on the agency theory the following diagrammatic framework is developed.

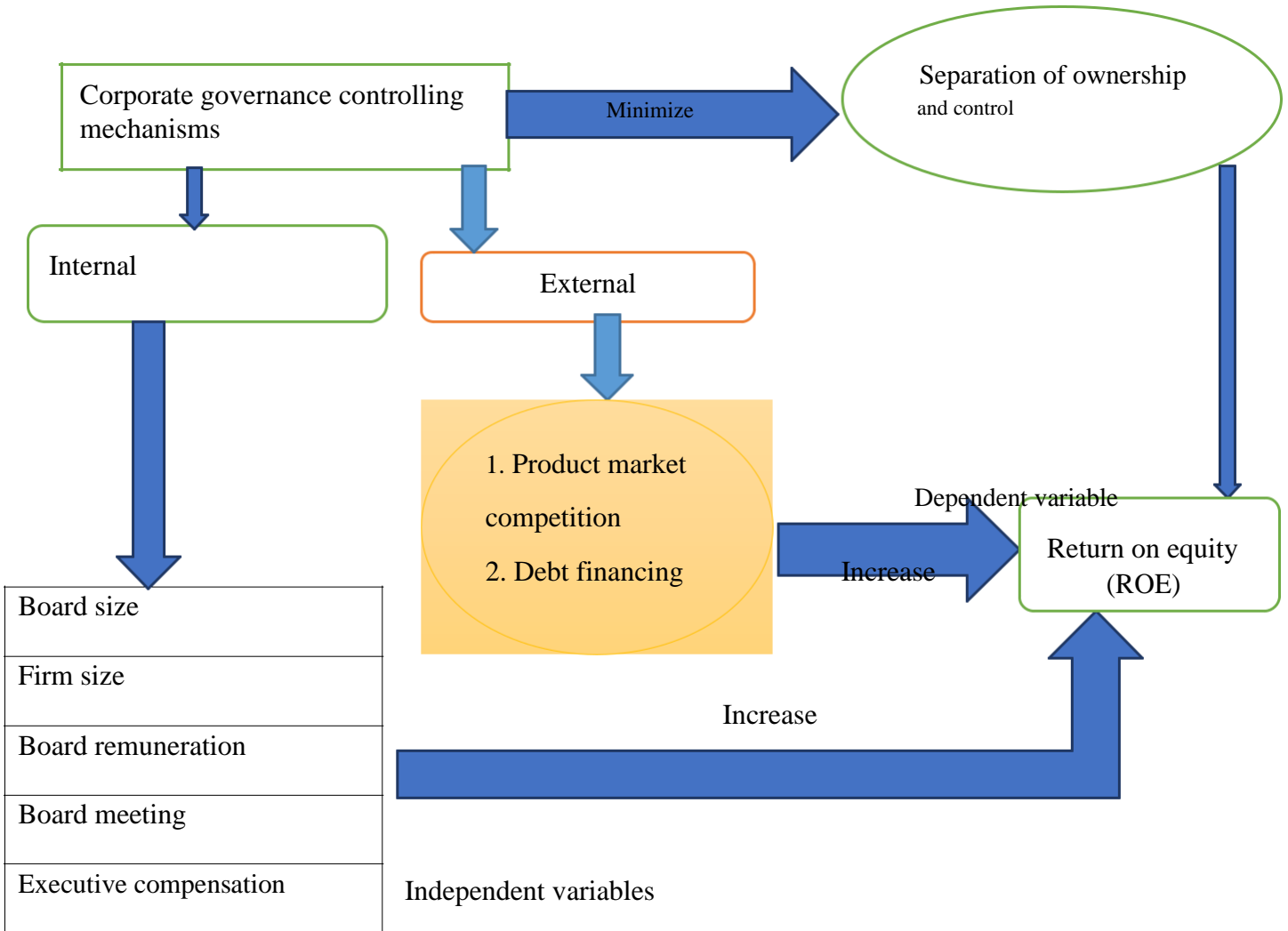


Figure 1: (Source: researcher own design)

CHAPTER THREE

3. RESEARCH METHODOLOGY AND

DESIGN 3.1 Introduction

This section provides information on the type of research design that was adopted in the study and gives the population and sample selected for the study. It also shows which sampling techniques were used in the current research. Furthermore, it discusses the data collection, analysis and presentation techniques that were used in the study.

3.2. Research Methods

This study attempted to investigate the effect of corporate governance on the financial performance of insurance companies in Ethiopia. In light of the research objectives and the quantitative nature of the data, this study employed a quantitative approach to examine the impact of corporate governance on insurance companies' financial performance.

3.3. Research Design

The core objective of the study was to examine the impact of corporate governance on financial performance of firms (case of insurance companies in Ethiopia). Accordingly, this study was adopted an explanatory research design to examine the cause effect relationship between financial performance and the corporate governance.

3.4. Population and Sample Selection

The populations for this study are all insurance companies working in in Ethiopia under the licensing and supervision of National bank of Ethiopia. There are eighteen insurance firms working in Ethiopia one of which is government owned (Africa insurance Company s.c., Awash insurance Company s.c. Global insurance company s.c., Lion insurance company s.c. ,Nib insurance company s.c. , Nile insurance company s.c., Nyala insurance company s.c. ,United insurance company s.c., Abay insurance company s.c. ,Berhan insurance company s.c., Oromiya insurance company s.c. ,Ethio life and general insurance s.c., Tsehay insurance company s.c. ,Lucy insurance company s.c., Bunna insurance company s.c. ,Zemen insurance company s.c. ,Ethiopian insurance corporation and National insurance company s.c.). Among these insurance companies' ten insurance companies which has ten and above years working experience are

purposely selected as a sample from the available population based on working experience and data availability.

3.5. Data Type, Sources and Gathering Techniques

Secondary data are useful for improving understanding and explaining the research problem in addition to providing more information to solve the problem (Ghauri & Gronhaug, 2005). The advantages of using secondary data sources are savings in the time and cost of acquiring information, fewer resource requirements, the provision of comparative and contextual data, unforeseen discoveries resulting from using suitable methods, and relative ease of access (Sekaran & Bougi, 2010; Saunders, Thornhill & Lewis, 2007). There are several sources of secondary data, including books, journal articles, media, annual reports of companies, online data sources such as webpages of firms, government organizations and catalogues, census data, statistical abstracts and databases (Veal, 2005; Sekaran, 2003).

Ghauri and Gronhaug (2005) suggest that secondary data is an essential method and that there is no need to collect primary data if secondary data are available to answer the research questions. Therefore, to achieve the purpose of the study the researcher used secondary data to measure corporate governance and financial performance of firms (case of insurance companies in Ethiopia) taken from annual audited financial statements of sample insurance companies. Because secondary data provides a reliable source of the information needed by researchers to investigate the phenomenon and seek efficient ways for problem solving situations (Sekaran, 2003). The data characterized as panel data, which capture both the cross section and time series dimensions.

3.6. Data Analysis Techniques

Quantitative analysis technique has been employed which comprises correlation analysis and multiple linear regression analysis. Correlation analysis, which is a statistical tool that can be used to determine the level of association of two variables (Levin & Rubin, 1998). The researcher used multiple linear regression analysis using return on equity (ROE) as a proxy of financial performance and explanatory variables (Board size, board remuneration, debt financing, firm size, board meeting frequency, executive compensation and product market competition). The researcher made data's statistical description and regression by using STATA 15.00

3.7. Operationalization and Measurement of Variables

3.7.1. Dependent variable

3.7.1.1. Financial performance

In this study dependent variables are variables that are used to measure the financial performance of sampled insurance companies. As there is no secondary market in Ethiopia it is not possible to use Tobin Q and other market-based measures. Thus, only accounting measures of financial performance are Return on Asset (ROA) and return on equity (ROE). Thus, the researcher used return on equity as a measure of financial performance, which is explained below. This measure as argued by Richard et al., 2016; as cited by Rose, 2007 is too sensitive to a company's accounting system and their choices of asset valuation principles e.g. with regard to their depreciation schedule but are most common when measuring a company's performance as they display the overall profitability of firms and its validity has been proven by empirical evidence to be related to economic returns (Alina Woschkowiak, 2018).

Return on equity (ROE): it focuses just on the equity component of the investment, and it specifies the earnings left over for equity investors after debt service costs have been factored into the equity invested in the asset (Damodaran, et al. 2014).

Return on equity is the amount of net income returned as a percentage of shareholders' equity, and it measures a corporation's profitability by revealing how much profit a company creates with the money that shareholders have invested (Khatab et al., 2011, Khaled et al.,2014; Bayelign et al., 2022, Martha ,2008). Thus, a higher ratio indicates a higher return. This measure is expected to indicate a positive association between corporate governance and firm performance.

Return on equity (ROE) = Profit after Tax and Provision (PAT)

Total stockholder equity

3.7.2. Independent Variables

In this study, the independent variables are variables that are used as a determinant of corporate governance of the sample insurance companies in Ethiopia. The independent variables of the study are (Board size, board remuneration, debt financing, board meeting, firm size, executive compensation, and product market competition). The definition and measurements of the variables are as follows: -

Board Size: - Board size is measured as the total number of directors in the boardroom and is calculated manually for each company by means of the current and historical data about the start and end dates of director positions.

Board remuneration: it is a form of salaries, allowances or incentives and bonuses received by the employee. It obtained consists of cash remuneration and any other remuneration based on shares that are associated with short-term performance and long-term directors' compensation.

Debt financing: it is one of the important governance mechanisms in aligning the incentives of corporate managers with those of shareholders. Computed by the ratio of total debts to total assets.

Executive compensation: The total value of salary, bonuses, life and health assurance, bonuses stock, pensions accruing to executive's directors.

Board meetings: refer to the frequency of board meeting per year. Meeting frequency is an important dimension of an effective board since the regular board meetings allow potential problems to be identified, discussed and avoided. Better performance is observed in firms where the boards meet more frequently than other firms with busy directors that lack of time to carry out their duties (Lipton & Lorsch, et al., 2016; Conger et al. 2008).

Product market competition: Product market competition is the key independent variable in this present proposed study model. Previous studies have indicated that the HHI technique (Herfindahi-Hirschman Index) is the best suitable measurement approach among the other available methods to assess market competition and product performance.

Researchers usually employ the HHI-score method to evaluate and analyze market concentration. Scholars use HHI approach in determining market competitiveness. HHI method stems from the realism that helps measure simple market competition scenarios.

The term “HHI” means the Herfindahl–Hirschman Index, a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. It does not support measuring various markets volatility and complexities (Zou et al., 2015). HHI score helps scholars to calculate and determine the size of the organizations concerning the business industry. The HHI score is an indicator to specify market competition level among business firms. It helps determine the concentration ratio of the number of business firms that produce or market a specific product or a series of products accompanied by the relative distribution channels of market share for each firm’s sales volume in the specific industry. Following Beginner et al. (2011), HHI is measured as the sum of squared market shares of each firm in a given industry.

Control variable

In addition to the independent variables mentioned previously, control variable is employed in this research to control for firms’ characteristics that may affect firm performance. This variable is considered fundamental for ensuring that the tests concentrate more accurately on the differences created by variations in corporate governance. This study aims to investigate whether there is a relationship between corporate governance and firm performance.

Thus, it is important that factors affecting firm performance should also be controlled. The discussion in the previous chapter shows that firm size is frequently used as control variable.

Firm size: This control variable is measured as natural logarithm of the company’s total assets and is extensively used as a controlling measure to control the relationship between corporate governance and firm performance (Khaled, 2014 and Haileab, 2014; Lam & Lee, 2008; Tornyeva & Wereko, 2012; Rouf, 2011.).

Table 1: Summary of terms of measurements and operationalization

Variables	Indicator	Operationalization
Board size	BODSZE	Total number of directors serving on the board of directors
Board remuneration	BODRM	The natural logarithm remuneration paid to board per year
Debt financing	DBFN	The ratio of total debts to total assets
Firm size	FRMSZE	The natural logarithm of total assets at yearend.

Executive compensation	EXECMP	The total sum of salary, bonuses, stock-based compensation and pension
Board meeting	BODM	The number/frequency of meetings held per year.
Product market competition	PRDMC	The sum of squared based on firm's market share operating in the industry considering firm's total sales volume in the specific industry.
Return on equity	RoE	The ratio of profit after tax and total shareholder equity

Source: Audited financial statements of sample insurance companies

3.8 Model Specification

The study employed Return on equity (RoE) as dependent variable which measures company's financial performance. Although there is no unique measurement of financial performance in the literature, RoE was chosen because it is important accounting based and widely accepted measures of financial performance. And the independent variables are board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition. The model for this study derived on the basis of prior studies such as Gardachew (2015), Bayelign et.al (2020), Khaled (2014) and Abraham (2015). The general model of this study, as found in other empirical literature is represented by;

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + C_{it}$$

Where: y is dependent variable, X_1 =independent variable, α = Intercept coefficient, β_1 & β_2 are coefficients of explanatory variables, C = the

error component, Subscripts i and t refers to each firm i in year t ., C = the vector of control variable unit specific error component.

$$Y_{it} = \alpha + \beta_1 \text{BODSIZE} + \beta_2 \text{BODRM} + \beta_3 \text{DBFN} + \beta_4 \text{FRMSIZE} + \beta_5 \text{EXCMP} + \beta_6 \text{BODM} + \beta_7 \text{PRDMC} + C_{it}$$

3.9. Ethical consideration

Ethics in business research refers to ‘a code of conduct or expected societal norm of behavior while conducting research’ (Sekaran, 2003, p. 17). Ethical issues should be given more attention at the early stage of the research process, as researchers have a moral responsibility to explain and answer participants’ questions honestly and accurately (Ghauri & Gronhaug, 2005). Researchers should explain the study benefits and participants’ rights and protections, and they should obtain informed consent. In addition, they should avoid unethical activities such as violating non-disclosure agreements, breaking participant confidentiality, misrepresenting results, deceiving people and avoiding legal liability, as the cornerstone of ethics is to ensure that nobody is harmed or suffers as a result of the research (Cooper, Schindler & Sun, 2006).

Therefore, the researcher has considered ethical issues that was anticipated and described in the study and other related issues in all phases of it. Moreover, the outcome or results of the study helps the insurance firms under the study and become a source of information for other researchers.

Additionally, the researcher is not tried to deception the data or methods of data gathering techniques or plagiarizes the work of other and followed the best way for preparing the thesis work.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

The previous three chapters present the problem and purpose of this study, the review of theoretical and empirical researches of the study area and the research methodology adopted for achieving its purpose. In this chapter, the results of the study along with discussions are presented. The chapter has four major sections; the first section presents a descriptive statistics result, the second section tell us the correlation analysis among the selected variables, and the third section show different statistical tests to assure that classical linear regression model's assumptions are held with a suggestion to correct for assumptions not held. Finally, the GLS regression result presented and discussed so that the research hypotheses are tested.

4.2. Descriptive Statics of Study Variables

In this section a description of the key characteristics and terms of measurement for each variable are discussed. This study focused on Corporate Governance characteristics namely board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition and how they affect performance.

Dependent and independent variables were grouped into components; namely, independent variables which consist of board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition and dependent variables which indicates performance namely, return on Equity (ROE). Accordingly, the descriptive statistics for all variables are presented below:

Table 2: Summary of Descriptive Statistics

Variables	Mean	Std. div	Min	Max	Observations
ROE	.2054	.0678296	.13	.45	50
BODSIZE	8.52	.5799367	7	9	50
BODRM	4.7462	.3899759	3.89	5.41	50
DBFN	.626	.1033915	.26	.86	50
FRMSIZE	21.0918	.9735287	19.34	23.66	50
EXECCM	5.3788	.516229	4.22	6.36	50
BODM	17.66	5.468313	12	31	50
PRDMC	205.54	495.139	16	1936	50

Source: computed from Stata 15.00 output

As presented in table 4.1, the average value of the sample insurance firms return on equity is 20.54% (i.e. mean=.2054) with the maximum value of 45% and minimum value of 13%. It deviates by 6.78 % from the mean value of the sample insurance firms.

It is confirmed in the table above that the average board size for the sample insurance firms is about 9 members (mean = 8.52) with a maximum of 9 and a minimum of 7 directors. The standard deviation indicates that for the sample insurance firms' board size varies by 0.58 from the average value of 8.52. The standard deviation of 0.58 suggests that there is no wide dispersion in the board size of the sample insurance firms. On average, the board of directors are remunerated by amount of birr 4.75 in the sample insurance firms as measured by the natural logarithm of the value of board remuneration having a maximum and minimum value of 3.89 and 5.41 respectively with a standard deviation of 0.39(0.3899759).

Debt financing, on average 62.6 % of the total assets of the sampled insurance firms is occupied by leverage ranging with a lower value of 26% and maximum value of 86% which deviates by 10.34% from the average value as measured by the ratio of total debt to total assets.

The mean value of firm size as measured by the natural logarithm of total asset is 21.09 with having a minimum value of 19.34 and maximum value of 23.66. The standard deviation of firm size among the sample insurance firms is 97.35. Executive's compensation has average value of 5.38 having 4.22 and 6.36 maximum and minimum value respectively which vary from the mean

by 0.52. While Board meeting and product market competition shows that, board has an average meeting value 17.66 with maximum and minimum of 12 and 31 meetings respectively which also deviates from the mean by 5.47.

4.3. Correlation Analysis of the Study Variables

This analysis can be seen as the initial step in statistical modeling to determine the relationship between the dependent and independent variables. Prior to carrying out a multiple regression analysis, a correlation matrix was developed to analyze the relationships between the independent variables as this would assist in developing a prediction multiple model which will reveal no relationship in cases where the value of the correlation is 0. On the other hand, a correlation of ± 1.0 means there is a perfect positive or negative relationship (Hair et al., 2010).

The values are interpreted between 0 (no relationship) and 1 (perfect relationship). Also, the relationship is considered small when $r = \pm 0.1$ to ± 0.29 , while the relationship is considered medium when $r = \pm 0.30$ to ± 0.49 , and when r is ± 0.50 and above, the relationship can be considered strong.

Below in table 4.2, the correlation matrix which shows that the relationship of the return on equity with board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition with firm performance (RoE).

Table 3 : Correlation Analysis of RoE and Corporate Governance Mechanisms

	Roe	bodsize	bodrm	dbfn	frmsz	execmp	bodm	prdmc
roe	1.0000							
bodsize	-0.0728	1.0000						
bodrm	-0.0776	-0.1896	1.0000					
dbfn	0.4990	-0.0088	-0.1597	1.0000				
frmsz	0.5171	0.1715	-0.0595	0.3630	1.0000			
execmp	0.2659	-0.0797	0.3984	0.0749	0.4229	1.0000		
bodm	0.0133	0.0505	-0.4094	0.1044	0.2774	-0.4229	1.0000	
prdmc	0.7789	0.0337	-0.1512	0.5408	0.7193	0.0456	0.2332	1.0000

Source: computed from Stata 15.0 output

Table 4.2 displays the correlations between the corporate governance controlling mechanisms variables and dependent variable with firm performance. The findings show that board size is negatively correlated ($r = -0.073$, $p > 0.05$) with ROE but insignificant at the 0.05 level of significance.

In addition, the correlation between board remuneration and ROE is negative but insignificant at the 0.05 level of significance ($r = 0.078$, $p > 0.05$). Moreover, executive compensation and product market competition have positive and significant relationships with the ROE at the 0.05 level of significance with coefficients ($r = 0.27$, $p < 0.05$), ($r = 0.78$, $p < 0.05$) respectively.

Besides, debt financing and board meeting have insignificant positive relationship with return on equity at 5% level of confidence with ($r = 0.4990$, $p > 0.05$) & ($r = 0.0133$, $p > 0.05$) respectively. Whereas firm size has significant negative correlation with return on equity at 5% level of confidence with $r = 0.5171$, $p < 0.05$.

To sum up, as stipulated above, it has been shown that the two corporate governance mechanism controlling variables i.e. board size and board remuneration and firm size are negatively associated with proxy measure of financial performance i.e. return on equity the only difference is the level of significance.

Whereas debt financing, executive compensation and product market competition are positively correlated with return on equity. A maximum of a correlation coefficient of 0.72 is found in the correlation between product market competition and firm size. The result indicates that there is significant association among independent variables.

This reveals that the association between board size, board remuneration, debt financing, firm size, executive compensation, board meeting, & product market competition shows a strong correlation with return on equity and there is no significant correlation among independent variables.

4.4. Diagnostic Tests of the Data Set

Before running the models, the data sets were tested for the classical linear regression model assumptions (See appendix). Brooks (2008) suggests five critical assumptions that must be met before utilizing GLS estimation in order to validly test the hypothesis and estimate the coefficient. The classical linear regression model assumptions and their diagnostic tests are discussed below.

4.5. Test for multi-collinearity

Gujarati (2004), stated that multi- collinearly is the presence of a "perfect," or exact, linear relationship among some or all explanatory variables of a regression model. The researcher used the VIF and tolerance to check whether there is the problem of multi collinearly or not among the explanatory variables in the model.

Table 4 :Test for multi-collinearity by variable inflation factor

Variables	VIF	1/VIF
Frmsz	3.72	0.268970
Prdmc	3,23	0.309287
execmp	1.97	0.508818
Bodrm	1.52	0.658723
Dbfn	1.47	0.680368
bodm	1.33	0.749850
bodsize	1.14	0.874332
Mean of VIF	2.05	

Source: computed from stata 15.0 output

The above table shows the relationship between each independent variable (board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition). A tolerance value (is an indicator of how much of the variability of a specified independent variable is not explained by the other independent variable) less than 0.1 and if the value of Variance Inflation Factor (VIF) is above 10, indicate there is multi collinearity among the independent variables (Morgan et al., 2004). The result in the above table is obtained from the computation by STATA 15.0 and indicates that there are no tolerance values below 0.1 and the values of VIF greater than 10, so that, it tells us the model is free from multi collinearity problem. Therefore, all variables i.e. board size, board remuneration, debt financing, firm size, executive compensation, board meeting, and product market competition can be retained in the model.

4.5.1. Test for Heteroscedasticity

The next important assumption for classical linear regression model is that the disturbances appearing in the population regression are homoscedastic that means the variance of the error

term is consistent. If errors do not have a constant variance (not homoscedastic), they are said to be Heteroscedastic Brooks (2008). To check the problem of hetroskedastisty, the researcher used Breusch Pagan test based on the following null and alternative hypothesis

HO: there is no heteroscedasticity problem in the model

HI: there is heteroskedasticity problem in the model

It is obtained from Breusch Pagan test that the p-value of 0.5216 which is greater than 5%, (see the Appendix) which is unable to reject null hypothesis. So, that there is no heteroscedasticity problem.

4.5.2. Test for Normality of Data

According to Gujarati (2004), before regression analysis is carried out, it should be noted that there are some classic assumptions in undertaking the regression analysis and one of them is normality of data. Therefore, normality test becomes relevant. Brooks (2008) also pointed out that in order to conduct hypothesis test about the model parameter, the normality assumption must be satisfied. The normality assumption is about the mean of the residuals is zero. Accordingly, the researcher used Shapiro- Wilk test for normal data.

Based on this test, if the p-value is less than 0.05, then the null hypothesis that the data are normally distributed is rejected and If the p-value is greater than 0.05, then the null hypothesis has not been rejected.

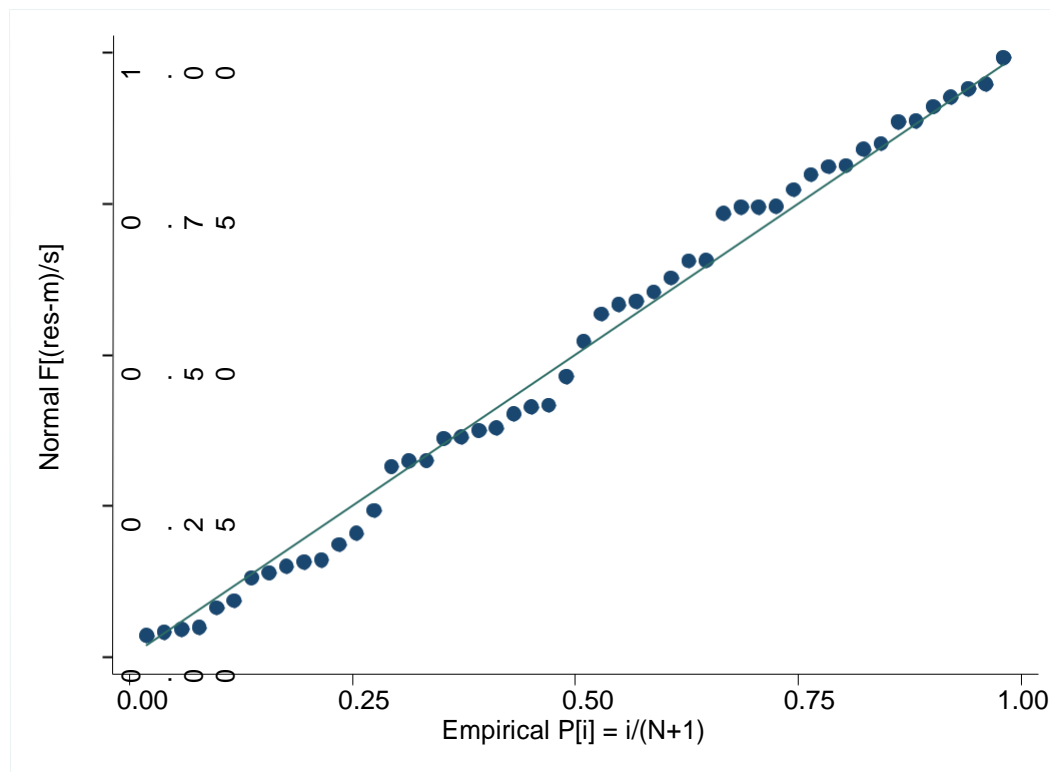
4.5.3. Shapiro- Wilk Test for Normal Data

HO: Data are normally distributed

HI: Data are not normally distributed

The Shapiro- Wilk test of the study provided the p-value of 0.6323 that is greater than the p-value of 0.05 (See the appendix). Hence, HO is not rejected that means the data are normally distributed. The above test can be supported by figure as follows

Figure 2: Normal Probability Plot



Source: computed from stata 15.00 output

The above graph shows the normal distribution of residuals around its mean of zero. Hence the normality assumption is fulfilled as required based on the above figure, it is possible to conclude that the inferences that the researcher made about the population parameter from the sample is valid.

The average value of the errors is zero. If a constant term is included in the regression equation, this assumption will never be violated. So that in the model of this study a constant term is included. As a result, this assumption was not violated.

4.5.4. Random Effect and Fixed Effect Model

There are broadly two classes of panel estimator approaches that can be employed in financial research: these are fixed effect model (FEM) and random effect model (REM; Brooks, 2008). To check which of the two (FEM or REM) models provide consistent estimates for this study, Hausman test was employed and the following hypothesis was developed:

Ho. Random effect model is appropriate.

H1. Random effect model is not appropriate.

The p-value for the Hausman test provided p-value which is 0.2233 is greater than 5% indicates that the null hypothesis was not rejected. Accordingly, random effect model (REM) was employed to estimate the relationship between the dependent and the independent variables

4.6. Model Determination

Roe	Coef.	Std.err.	z	p> t	[95% conf.	Interval]
bodsize	.0025114	.0095408	0.26	0.792	-.0161883	.0212111
Bodrm	.0049599	.0205872	0.24	0.810	-.0353904	.0453101
Dbfn	.0060991	.0694557	0.09	0.930	-.1300316	.1422297
frmsz	-.0120261	.0117773	-1.02	0.307	-.0351091	.011057
execmp	.0391276	.0189006	2.07	0.038	.0020832	.076172
bodm	-.0010344	.0012171	-0.85	0.395	-.0034198	.0013511
Prdmc	.0001229	.0000252	4.87	0.000	.0000735	.0001723
Cons	.1928444	.236173	0.82	0.414	-.2700462	.655735

Random-effects GLS regression, Number of obs =50, Group variable: insu, Number of groups =10, R-sq.: is within = 0.0686 between = 0.8732 Overall = 0.7095, Obs per group: min = 5 avg = 5.0 max = 5 @ 5% level of Significance

Source: computed from STATA 15.0

ROE=.1928444+.0025114bodsize+.0049599bodrm+.0060991dbfn+(-.0120261) frmsz+.0391276 execmp+(-.0010344) bodm+.0001229 Prdmc

The model is regressed through random effects GLS linear regression analysis by STATA version 15 and the results are presented in Table 4.4 above. And results reveal that there is no significant relationship between board size, board remuneration, debt financing, firm size board meeting and firm performance. Whereas product market competition and executive compensation have significant relationship with firm performance.

The adjusted R square indicates how well the variance existed in the model has been explained (Morgan et al 2014). It is found that the adjusted R square of this model is 70.95% (see the Appendix), meaning 70.95% of the model is explained by the independent variables i.e. board size, board remuneration, debt financing, firm size, executive compensation, board meeting and

product market competition and the remaining 20.05% of the model is explained through other corporate governance mechanisms controlling variables that are not included in the model.

4.7. Corporate Governance Controlling Mechanisms: Findings and Discussions

In the previous sub section, the study shows the overall result of the regression equation of the model in which it identified the appropriateness of the model in explaining the variability of the ROE (measure of financial performance), and it has determined variables which have significant impact on performance along with their direction of the effect.

In this sub section the study discussed the regression result of each corporate governance variables and control variables and their relative effect on financial performance in more detail. Besides, the statistical findings of the corporate governance variables discussed in relation to underlying corporate governance theories and with previous empirical studies. Finally, the research hypothesis developed to be rejected or not rejected is known. Thus, based on the regression result shown in the table 4.4 above, the P and Z values of each independent variable re described hereunder.

Board size

As it is presented on table 4.4 above, the GLS random effect estimation result, shows has positive but insignificant effect on financial performance of Ethiopian insurance companies (measured by return on equity) with regression coefficient of .0025114, the Z-statics value of 0.26 and P- value 0.792 This positive value indicates that the increase in board size causes the increase of firm performance measured by return on equity. Which signifies the increase or decrease in board size has not significant impact on financial performance; the insignificance could be resulted from the similarity of insurance companies' board size. Consequently, the first hypothesis stated that board size has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

This outcome is consistent with the findings of Bayelign and Ayalew et al. (2020), Kingsley and Theophilus (2012), Abraham (2015) and Bedilu (2016) found that significant positive impact on financial performance but not consistent with the findings of Isaac Kibet Kiptoo et al., (2,021) , Gardachew (2015)and Tewodros (2020).Therefore, the first hypothesis that there is a strong negative relationship between board size and ROE of insurance industry in Ethiopia is rejected.

Board remuneration

It has insignificant positive impact on firm performance of Ethiopian insurance companies (measured by return on equity) with a Z and P value of 0.24 and 0.810 respectively and correlation coefficient value of 0.0049599.

The correlation coefficient 0.0049599 suggested that the increase of board remuneration results the increment of financial performance i.e. a one –unit increase in financial performance resulted the increment of board remuneration by 0.0049599. Consequently, the second hypothesis stated that Board remuneration has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

This outcome is inconsistent with the findings of (Noor Nasyikin, et al.,2019) found that negative impact on financial performance, but consistent with the findings of (Akansha Singhal & Om Prakash Agrawal (2021) and Bayelign and Ayalew et al. (2020) found that significant positive impact on financial performance Therefore, the second hypothesis stated that Board remuneration has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

Debt financing

Debt financing has insignificant positive impact on firm performance measured by return on equity with a Z and P values of 0.09 and 0.930 respectively and a coefficient value of 0.0060991. The coefficient value .0060991 shows the increase of debt financing results the increment of financial performance i.e. a one –unit increase in financial performance resulted the increment of debt financing by 0.0060991, the outcome is consistent with the finding of Aniefor and Onatuyeh (2017) but it is not consistent with the findings of Amir Nasir and Muhammad Azam et al. (2019),

Kingsley and Theophilus (2012) and Anis Ali and Abdul Rahman Shaik (2019) Hence, the third hypothesis stated that debt financing has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

Firm size

Moreover, firm size has insignificant negative impact on financial performance of insurance companies in Ethiopia with Z and p-values -1.02 and 0.307 with correlation coefficient -0.0120261. This implies firm size has insignificant and negative impact on financial performance of insurance firm's proxy by return on equity. And one unit goes up in financial performance results a goes down of firm size by -0.0120261.

This outcome is inconsistent with the findings of Abraham (2015), Tewodros (2020) and Haileab (2014) found positive and significant relationship with firm performance. As a result, the fourth hypothesis stated that firm size has insignificant and negative relationship with financial performance of Ethiopian insurance companies is rejected. As a result, the fourth hypothesis stated that firm size has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

Board meeting

Board meeting has insignificant negative impact on financial performance of insurance companies in Ethiopia with Z and p-values -0.85 & 0.395 respectively having correlation coefficient of -0.0010344. This implies that both firm size and board meeting have insignificant and negative impact on financial performance of insurance firm's proxy by return on equity. Similarly, one unit goes up in financial performance results a goes down of board meeting by -0.0010344.

The outcome is consistent with the findings of Tewodros (2020), Bedilu (2016) and Gardachew (2015) insignificant relationship between board meeting and firm performance. And inconsistent with the findings of Kingsley and Theophilus (2012), Abraham (2015) and Shaheen et.al (2019) positive and significant relationship between board meeting and firm performance.

Thus, the fifth hypothesis of board meeting frequency has a significant and positive effect on financial performance of Ethiopian insurance companies is rejected.

Executive compensation

Unlike executive compensation has significant positive impact on financial performance of Ethiopian insurance industry with z-and p-values 2.07 & 0.038 regression correlation coefficient value 0.0391276. From this we can inferred that a –one-unit top up in financial performance comes from the increment of executive compensation by 0.0391276. This outcome is consistent with the findings of Bonsa (2015) and Bedilu (2016) found significant positive relationship between the composition of the board and firm performance.

Consequently, the six hypotheses of executive compensation has a significant and positive effect on financial performance of Ethiopian insurance companies is accepted.

Product market competition

Similar with executive compensation, Product market competition have significant positive impact on financial performance of Ethiopian insurance industry with z-and p-values 4.87 & 0.000 having regression correlation coefficient value 0 .0001229. From this we can inferred that a –one-unit top up in financial performance comes from the increment in product market competition by 0 .0001229.

This outcome is consistent with the findings of Chou et al. (2011), Ko et al. (2016), Chhaochharia et al. (2017), and Noghani and NoghaniBehambari (2019) and Thach Xuan Ha and Thu Thi Tran (2020) found significant positive relationship between the product market competition and firm performance. Consequently, the last hypothesis of product market competition has a significant and positive effect on financial performance of Ethiopian insurance companies is accepted.

CHAPTER FIVE

5. CONCLUSIONS AND

RECOMMENDATIONS 5.1 Introduction

The previous chapter comprises the data analysis and the findings of the study. This chapter consists of the study conclusions drawn, the recommendations and an indication for future researches.

5.2. Conclusions

The issue of corporate governance has to be given due care from the initial state of business establishment throughout its entire life. As a result, this thesis aimed at examining the effect of corporate governance on financial performance of firms (case of insurance companies in Ethiopia). To achieve the objectives of the study, the researcher employed the quantitative research approach to investigate the casual effect relationship of corporate governance and financial performance in which audited financial statements of 10 sampled Ethiopia's insurance companies with time span of five years from 2018 to 2022 were collected and analyzed using descriptive statistics, correlation analysis and multiple linear regression analysis by employed STATA 15.0.

In addition to searching for any cause and effect relationship between corporate governance and financial performance by employing corporate governance controlling mechanisms such that board size, board remuneration, debt financing, board meeting frequency, executive compensation and product market competition as independent variables, the thesis also used firm size which is found in similar empirical studies, as control variable of the study and return on equity (ROE) as dependent variable used to determine the financial performance of insurance industry in Ethiopia proxy by net income to average total assets.

The descriptive statistics for the variables of the corporate governance mechanisms such as board size, board remuneration, debt financing, firm size, board meeting frequency, executive compensation and product market competition and financial performance measurement variable (return on equity) were presented in Chapter 4.

The descriptive statistics included the mean, standard deviations, minimum and maximum. Through which the following conclusions were drawn based on the result of the regression analysis.

Based on the descriptive regression analysis output 20.54% of financial performance of sampled insurance companies in Ethiopia is measured by return on equity. it is therefore the sample insurance firms are performing better in utilizing shareholders' capital.

The descriptive statics regression result which were presented in chapter 4 indicated that the board size of Ethiopian insurance companies has a minimum value of 7 members, while the maximum was 9 members and a mean value of 8.52 members. According to the GLS random effect estimation result, board size has positive but insignificant effect on financial performance of Ethiopian insurance companies (measured by return on equity) with regression coefficient of .0025114 which indicates that the increase in board size causes the increase of financial performance. Which the increase or decrease in board size has not that much impact on financial performance.

Board remuneration has insignificant positive impact on firm performance of sampled Ethiopian insurance companies as it is measured by return on equity. It has with a mean value of 4.75 and minimum and maximum values of 3.89 and 5.41 respectively which implies the board has remunerated with average amount of birr 4.75, maximum of birr 5.41 and minimally by birr 3.89. The correlation coefficient 0.0049599 suggested that the increase of board remuneration results the increment of financial performance i.e. a one –unit increase in financial performance resulted the increment of board remuneration by 0.0049599 but it did not significantly influence on financial performance.

Debt financing has insignificant positive impact on firm performance of sampled insurance companies in Ethiopia measured by return on equity having mean value 0.626, minimum and maximum values 0.26 & 0.86 respectively, the correlation coefficient 0060991 shows the increase of debt financing results the increment of financial performance i.e. a one unit increase in financial performance resulted the increment of debt financing by 0.0060991 but it is insignificant i.e., the increase debt financing does not significant influence on financial performance.

Firm size and board meeting frequency has negative and insignificant impact on financial performance of insurance companies in Ethiopia with mean value 21.1, minimum and maximum values 19.34 & 23.66 respectively. Therefore, the size of the firm does not have impact on financial performance to increase firm performance it correlated with financial performance negatively with correlation coefficient -0.0120261. Board meeting has also negative & insignificant impact on financial performance of insurance companies in Ethiopia with mean value of 17.66 and minimum and maximum values 12 and 31 respectively having correlation coefficient of -0.0010344. This implies that both firm size and board meeting have insignificant and negative impact on financial performance of insurance firm's proxy by return on equity. Similarly, it does not have any impact of on financial performance of sampled insurance companies

Whereas Executive compensation has significant positive impact on financial performance of sampled Ethiopian insurance companies having a mean value 5.34 with minimum and maximum values 4.22 & 6.36 respectively. Therefore, executives who compensated properly is effective to improve financial performance of sample insurance firms.

And product market competition has also positive and significant impact on financial performance of sampled Ethiopian insurance companies having a mean value 205.54 with minimum and maximum values 16 & 1936 respectively.

5.3. Recommendations and Policy Implication

Based on the findings and the conclusions of the study, the researcher forwards these recommendations to Ethiopia's insurance companies;

As depicted in the conclusion, executive compensation has positive and significant impact on financial performance of sampled Ethiopian insurance companies. Since, remuneration to executives serves as an incentive that affects decisions made and strategies adopted by an executive, both of which affect firm performance. It has a motivational effect and is an indicator of value for executives. It is a means for executives to realize rewards for their efforts. But, executives who are improperly compensated may not have the incentive to perform in the best interest of shareholders, which can be costly to the shareholders.

Therefore, the study recommends these insurance companies give attention to focus and plans tie executive compensation to performance with little monitoring reducing agency problem. It also

attracts and retains managers with confidence to risk their financial future on their own abilities leading to maximization of shareholder's wealth.

Finally, insurance companies give attention to product market competition because it has positive and significant impact on financial performance of sampled Ethiopian insurance companies. It leads to achieving better performance and higher profits because firms' competitiveness resolves agency conflicts between stakeholders, owners, and managers, which results in better profitability of the firms.

5.4. Future Research Directions

As the objective of this thesis was to examine the effect of corporate governance on financial performance of firms (case of Ethiopian insurance companies) by employing return on equity as performance measurement variable whereas board size, board remuneration, firm size, executive's compensation and board meeting frequency as internal corporate governance mechanisms and product market competition and debt financing are as external corporate governance controlling variables. So, due to the various discussion limitation of the study, future researchers could involve various research avenues.

First, researcher could attempt to explore the relationship of corporate governance & financial performance in other financial institutions in addition to those that are not included in the sample

Second, further studies can be extended on the issue by employing other variables not touched by this study like, laws and regulation, media exposure, takeover activities, ownership concentration, leadership structure and soon.

Third the researcher could also further extend the study by employing other accounting based financial performance measures

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III. Diagnostic Tests of the Data Set

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of roe

chi2(1) = 0.41

Prob > chi2 = 0.5216

	Shapiro-Wilk	W	tes	fo	norma	data
		t	r	l		
Variable	Obs	W	V	z	Prob>z	
res	50	0.9818	0.853	-0.338	0.63227	

Ramsey RESET test using powers of the fitted values of roe

Ho: model has no omitted variables

$F(3, 39) = 2.82$

Prob > F = 0.0517

IV. Random effect GLS regression

```

Random-effects GLS regression   Number of obs =      50
Group variable: insu           Number of groups =     10

R-sq:                           Obs per group:
    within = 0.0686                min =           5
    between = 0.8732              avg =          5.0
    overall = 0.7095              max =           5

corr(u_i, X) = 0 (assumed)        Wald chi2(7) =  46.08
                                   Prob > chi2 =  0.0000

```

roe	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
bodsze	.0025114	.0095408	0.26	0.792	-.0161883 .0212111
bodrm	.0049599	.0205872	0.24	0.810	-.0353904 .0453101
dbfn	.0060991	.0694557	0.09	0.930	-.1300316 .1422297
frmsz	-.0120261	.0117773	-1.02	0.307	-.0351091 .011057
execmp	.0391276	.0189006	2.07	0.038	.0020832 .076172
bodm	-.0010344	.0012171	-0.85	0.395	-.0034198 .0013511
prdmc	.0001229	.0000252	4.87	0.000	.0000735 .0001723
_cons	.1928444	.236173	0.82	0.414	-.2700462 .655735
sigma_u	.02146728				
sigma_e	.03399195				
rho	.28512341	(fraction of variance due to u_i)			

V. Fixed effect GLS regression

```

Fixed-effects (within) regression      Number of obs =      50
Group variable: insu                  Number of groups =   10

R-sq:                                  Obs per group:
    within = 0.1534                     min =                5
    between = 0.6030                     avg =               5.0
    overall = 0.5119                     max =                5

corr(u_i, Xb) = -0.3102                 F(7,33)              =    0.85
                                          Prob > F              =    0.5517

```

roe	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bodsize	.0105895	.0102446	1.03	0.309	-.0102532	.0314323
bodrm	-.0366169	.036752	-1.00	0.326	-.1113894	.0381555
dbfn	-.0255064	.0783449	-0.33	0.747	-.1849003	.1338875
frmsz	.0071618	.0140424	0.51	0.613	-.0214076	.0357313
execmp	.0615917	.0334636	1.84	0.075	-.0064906	.129674
bodm	-.0001027	.0015449	-0.07	0.947	-.0032459	.0030405
prdmc	.0000894	.000071	1.26	0.217	-.000055	.0002338
_cons	-.1939738	.2976411	-0.65	0.519	-.799529	.4115815
sigma_u	.04205064					
sigma_e	.03399195					
rho	.60479912	(fraction of variance due to u_i)				

```

F test that all u_i=0: F(9, 33) = 2.27          Prob > F = 0.0420

```

VI. Hausman test for fixed effect versus random effect test

	—Coefficients—			
	(b) random	(B) fixed	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
bodsize	.0105895	.0025114	.0080781	.0037315
bodrm	-.0366169	.0049599	-.0415768	.0304446
dbfn	-.0255064	.0060991	-.0316055	.0362468
frmsz	.0071618	-.0120261	.0191879	.0076475
execmp	.0615917	.0391276	.0224641	.0276149
bodm	-.0001027	-.0010344	.0009317	.0009516
prdmc	.0000894	.0001229	-.0000335	.0000663

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\chi^2(7) = (b-B)' [(V_b-V_B)^{-1}] (b-B)$$

$$= 9.43$$

$$\text{Prob} > \chi^2 = 0.2233$$

(V_b-V_B is not positive definite)

Wooldridge test for autocorrelation in panel data

H0: no first-order autocorrelation

$$F(1, 9) = 4.946$$

$$\text{Prob} > F = 0.0532$$

VII. List of sample insurance companies in Ethiopia

No	Name	Year of establishment (G.C)
1	Africa insurance Company s.c.	1994
2	Awash insurance Company	1994
3	Abay insurance Company	2010
4	Berhan insurance company s.c.,	2011
5	Bunna insurance company s.c.,	2013
6	Ethio life and general insurance s.c	2008
7	Ethiopian insurance corporation	1975
8	Global insurance company s.c.	1997
9	Lion insurance company s.c	2007
10	Lucy insurance company s.c.,	2012
11	Nib insurance company s.c	2002
12	Nile insurance company s.c	1995
13	Nyala insurance company s.c	1995
14	National insurance company s.c	1994
15	Oromiya insurance company s.c	2010
16	Tsehay insurance company s.c	2012
17	United insurance company s.c	1997
18	Zemen insurance company s.c.	2020

Among the listed insurance companies ten insurance companies are selected for the sample (United, Awash, Nile, Nib, National, Nyala, Ethio life and General, Ethiopian Insurance Inc., Global, and Africa insurance companies).

VIII. Raw data collected from sample insurance companies

Insurance companies	Year	ROE	BODSZE	BODRM	DBFN	FRMSZ	EXECMP	BODM	PRDMC
Africa Insurance co.	2018	0.21	9	5.89	0.68	20.7	6.77	16	49
Africa Insurance co.	2019	0.19	9	6.3	0.71	20.81	7.31	23	36
Africa Insurance co.	2020	0.13	8	6.32	0.75	21.1	7.36	12	25
Africa Insurance co.	2021	0.14	8	6.38	0.75	21.1	7.38	26	16
Africa Insurance co.	2022	0.17	8	6.41	0.73	21.05	7.43	22	16
Awash Insurance co.	2018	0.13	9	5.64	0.55	21.5	7.09	28	64
Awash Insurance co.	2019	0.14	9	6.07	0.6	19.34	7.14	28	81
Awash Insurance co.	2020	0.16	9	6.1	0.54	21.78	7.34	31	64
Awash Insurance co.	2021	0.17	9	6.03	0.55	21.99	7.29	26	81
Awash Insurance co.	2022	0.18	9	6.05	0.55	22.16	7.4	28	121
EIC Insurance co.	2018	0.37	9	5.18	0.7	22.22	6.64	16	1,369.00
EIC Insurance co.	2019	0.3	9	5.2	0.78	23.02	6.91	19	1,444.00
EIC Insurance co.	2020	0.31	9	5.22	0.81	23.28	6.91	17	1,936.00
EIC Insurance co.	2021	0.45	8	5.97	0.86	23.66	7.18	25	1,936.00
EIC Insurance co.	2022	0.38	8	6.22	0.81	23.45	7.23	28	1,600.00
ELIG Insurance co.	2018	0.25	9	5.67	0.71	19.97	6.8	16	4
ELIG Insurance co.	2019	0.15	9	5.78	0.7	19.99	6.72	17	4
ELIG Insurance co.	2020	0.14	9	5.98	0.71	20.21	6.88	13	4
ELIG Insurance co.	2021	0.12	9	6.02	0.26	20.39	6.83	15	4
ELIG Insurance co.	2022	0.16	9	6.34	0.69	20.44	6.9	17	4
GIC Insurance co.	2018	0.15	9	5.64	0.51	19.53	6.22	14	1
GIC Insurance co.	2019	0.1	9	5.95	0.55	19.74	6.45	12	1
GIC Insurance co.	2020	0.19	9	5.58	0.54	19.86	6.67	16	1
GIC Insurance co.	2021	0.18	9	5.75	0.53	20.02	6.76	22	1
GIC Insurance co.	2022	0.17	7	5.68	0.51	20.19	5.35	19	1
NIB Insurance co.	2018	0.16	9	5.61	0.73	20.98	6.34	15	36
NIB Insurance co.	2019	0.22	9	5.64	0.69	21.15	6.67	14	25
NIB Insurance co.	2020	0.24	9	5.69	0.65	21.27	6.52	13	16
NIB Insurance co.	2021	0.21	9	5.77	0.67	21.39	6.89	17	16
NIB Insurance co.	2022	0.18	9	5.95	0.61	21.53	6.82	24	16
NIC Insurance co.	2018	0.28	8	5.72	0.7	20.02	6.61	12	9
NIC Insurance co.	2019	0.26	8	6.07	0.68	20.06	6.75	16	9
NIC Insurance co.	2020	0.26	8	6.03	0.67	20.06	6.76	14	9
NIC Insurance co.	2021	0.26	7	6.09	0.63	20.23	6.58	21	4
NIC Insurance co.	2022	0.28	9	6.13	0.62	20.43	6.72	12	4
Nile Insurance co.	2018	0.13	9	5.73	0.57	20.83	5.8	25	36
Nile Insurance co.	2019	0.19	9	5.95	0.58	21.05	6.02	17	25
Nile Insurance co.	2020	0.16	9	6	0.56	21.16	6.08	14	16
Nile Insurance co.	2021	0.17	9	6.13	0.62	21.4	6.18	12	16

Nile Insurance co.	2022	0.21	9	6.08	0.62	21.68	6.41	14	16
Nyala Insurance co.	2018	0.2	8	6.12	0.63	21.37	7.12	13	36
Nyala Insurance co.	2019	0.22	9	6.28	0.59	21.44	7.15	12	25
Nyala Insurance co.	2020	0.16	9	6.32	0.57	21.5	7.08	16	25
Nyala Insurance co.	2021	0.19	9	6.38	0.55	21.62	7.16	18	25
Nyala Insurance co.	2022	0.18	8	6.41	0.57	21.81	7.36	13	36
united Insurance co.	2018	0.21	9	5.49	0.56	21.01	6.83	12	36
united Insurance co.	2019	0.15	9	5.83	0.53	21.14	6.95	13	36
united Insurance co.	2020	0.13	9	5.98	0.52	21.21	6.98	14	25
united Insurance co.	2021	0.17	9	5.7	0.53	21.32	6.85	12	25
united Insurance co.	2022	0.23	9	5.9	0.57	21.49	6.8	14	36