

Corporate governance, industry characteristics and quality of accounting information: Evidence from listed insurance companies in Nigeria

Adeoye Afolabi

<https://orcid.org/0000-0001-9174-9233>

Department of Accounting and Finance,
Kwara State University, Malete, Nigeria

Abdulazeez Alhaji Salau

<https://orcid.org/0000-0002-2265-2304>

Department of Management and Accounting
Summit University, Offa, Kwara State, Nigeria

Peter Abiodun Ayo

<https://orcid.org/0009-0006-1372-7745>

Department of Accounting and Finance,
Kwara State University, Malete, Nigeria

ABSTRACT

Purpose: The importance of corporate governance, industry characteristics and the quality of accounting information in insurance companies has received more attention in developed countries, than in developing countries, such as Nigeria. In recent times, insurance companies in Nigeria faced several regulatory changes. This study examined the relationship between corporate governance mechanisms and industry characteristics, relative to the quality of accounting information.

Originality/Value: This was the first study concerning the developing country—and Nigeria in particular—that focused on corporate governance, industry characteristics and the quality of accounting information in insurance companies, purposing a survey questionnaire towards the collection of data.

Design/Methodology/Approach: A survey questionnaire, administered to stakeholders in the insurance sector, was applied to collect the data that was analyzed *via* descriptive and inferential statistics.

Findings: The findings of the study revealed positive, significant relationships between corporate governance mechanisms, the level of competition amongst insurance firms, and quality of accounting information. Based on the findings, it was recommended that regulatory policies should be augmented to emphasise corporate governance mechanisms that promote sound quality of accounting information, such as awareness of the takeover market, board attitude to risk-taking, ownership structure, and the level of competition amongst insurance firms.

Research limitation/Implication of the findings. The limitation of this study is that the findings are based on opinion through survey questionnaire from the respondents who are the stakeholders in the insurance companies in Nigeria. The implication of these findings is that the regulatory body of insurance companies' various policies encouraged quality of accounting information to various group of stakeholders in the insurance companies in Nigeria.

Key words

Corporate governance, industry characteristics, insurance companies and quality of accounting information

1 BACKGROUND TO THE STUDY

The research concerned the effect of corporate governance (CG) mechanisms, such as awareness of risk of takeover, board attitude to risk-taking, ownership structure, and industry characteristics, such as the level of firm competition, on the quality of the accounting information of listed insurance companies (See Appendix 1), in Nigeria. Insurance company operations are

opaque and complex, as a result of its dependence on complex assumptions, e.g., mortality rates, estimated future expenses, interval, discontinuance percentages, as well as impending investment yields (Elamer, AlHares, Ntim & Benyazid 2018). Thus, insurance companies need sound CG, with high competitiveness and a high quality of accounting information, to enable proper and adequate insights into the company's financial position (Elamer *et al.* 2018).

The World Bank and International Monetary Fund claimed that CG was a tool aimed at instilling policies that assisted in maintaining the sanity of organisations, including the insurance sector (Eling & Marek 2014). As a result, the European Union introduced and approved "Solvency II" in 2009, in an attempt to ensure that firms' governance and risk management methods would be acceptable (Elamer *et al.* 2018; Boubakri, Cosset & Saffar 2013). Solvency II is a guideline, bordering on prudential requirements, designed to the specific risks that each insurer bears. It enhances transparency, comparability and competitiveness amongst the insurance companies. As a result of the ownership structure of insurance companies, it presents an interesting setting for investigating the effect of CG and industry characteristics on the quality of accounting information.

Across the globe, insurance firms were not protected from the financial crisis resulting from the collapse of American International Group (AIG). Moreover, insurance firms include a number of different stakeholders, possessed of diverse interests regarding incentives and objectives (Elamer *et al.* 2018). Consequently, in Sub-Saharan Africa, and particularly in Nigeria, quite a number of insurance companies collapsed, owing to weak CG and high risk taking. In Nigeria, the insurance sector is smaller than the banking sector, however, the insurance sector uniquely contributes to the economy and the sector is availed of adequate regulations, rules and guidelines, via the codes of CG by the National Insurance Commission (NAICOM), the Financial Reporting Council of Nigeria and the Securities Exchange Commission. These regulatory bodies provide strong governance, enabling an environment of competition and high standards of accounting information systems.

Financial information is a two party transaction, where the issuers of the financial reports provide such to the users, who use it with the expectation that it will assist enhancement of their financial decisions and other resolutions (Kovermann & Velte 2019). Provision of relevant and reliable financial information assist various stakeholders, such as the investors, management, employees, government and other stakeholders who use such reports, in rendering effective investments and other decisions (Jiang & Kim 2020; Zaman, Jain, Samara & Jamali 2020)—this is common in developed, emerging and developing economies.

Moreover, the financial information can be managed by using the flexible accounting normative—the usefulness of accounting information to decision-making primarily depends on qualitative characteristics that are relevant, i.e., management actions that are reflected in the financial statements of the companies (Bhagat & Bolton 2019). Lei, Gong, Wang and Li (2022) perceived "accounting information quality" as the degree to which the reported accounting information fairly reflects the current financial status and performance of a firm. These scholars further stressed that this information had to be useful to its users, i.e., similar metrics could be adopted for the measurement of accrual quality, conservatism, predictability, persistence and value relevance.

Against this background, this study explored the gap in the literature, by investigating the effect of CG

mechanisms, such as awareness to takeover-risk, board attitude to risk-taking, and ownership structure, as well as firm characteristics, such as the level of firm competition on the quality of accounting information, in listed Nigerian insurance companies. Insurance companies were selected as case study as, at the time, a notable number of Nigerians had lost confidence in this sector. Consequently, this study contributes to existing literature by providing evidence concerning the effects of CG mechanisms and the level of firm competition on the quality of accounting information, in the Nigerian context.

The pertinent research questions were: To what extent do CG mechanisms, such as awareness of takeover-risk and board attitude towards risk-taking, affect the quality of accounting information? Does ownership structure affect the quality of accounting information? What is the effect of firm characteristics, such as the level of firm competition, on the quality of accounting information?

The rest of the paper is presented as follows: The literature review is followed by the methodology of the study, the empirical results of the data analysis and, finally, the conclusions and recommendations.

2 LITERATURE REVIEW

2.1 Development of hypotheses

"Corporate governance", as a concept, is difficult to define, as it varies from country to country, owing to differences in culture, legal systems and historical developments (Bae, Masud & Kim 2018). However, it is common cause that effective accountability to all shareholders, including the diverse interests of other stakeholders, such as lenders, employees and government, is the essence of CG (Danoshana & Ravivathani 2019). Aguilera, Marano and Haxhi (2019) described it as the way that an organisation is administered, directed or controlled. They declared that CG provides the set of rules and regulations that affect how corporations are run and managed, by specifying the distribution of responsibilities and rights amongst stakeholders. Similarly, Danoshana and Ravivathani (2019) asserted that CG involves a set of relationships between a company's management, its board of directors, and stakeholders, that provides the structure through which the objectives of the company are set and the means of attaining those objectives. In addition, CG mechanisms serve as a medium to create equilibrium between principals and agent cost, and to ensure that stakeholders' interests are safeguarded (Adedeji, Ong, Uzir & Hamid 2020). Adnan, Hay and Van Staden (2018) asserted that "corporate governance mechanisms" can be described as the system that ensures a better coordination of the relationship between agent and principal.

The relationship of internal control mechanisms comprises stakeholders, the board of directors, employees and their compensations, and any other internal systems and processes (Adnan *et al.* 2018). The importance of internal control systems arises when the organisation veers off the pre-set processes and tracks, and requires efficient monitoring in internal proceedings, and measures to correct the

discrepancies need to be taken. In monitoring internal control mechanisms, lines of reporting are defined to ensure operations of businesses work smoothly, in order to further assist in establishing an effective path for the enterprise, by segmenting the authority, roles of responsibility and control in the development of policies. As the name implies, external control mechanisms include, *inter alia*, auditors, assessment of the market—such as branding, competition and sales policies—the regulatory environment, codes of CG, stock exchange fluctuations, debtors, and creditors (Adedeji *et al.* 2020).

This study bridged the gap in CG studies by establishing how awareness of the risk of takeover influences the quality of accounting information. This variable is significant to measuring CG as an external control mechanism (Odoemelam & Okafor 2018). It is widely believed that, when the gap between the actual value of a firm and its potential value is sufficiently large, an incentive emerges for outside parties to seek control of the firm. This, in turn, can influence defective CG practices in the firm's reporting quality, when managers believe that the actual value of a firm is significantly less than its potential market value (Udemezue 2021).

When internal control mechanisms fail to a large enough degree, i.e., when the gap between the actual value of a firm and its potential value is sufficiently large, an incentive emerges for outside parties to seek control of the firm. As with other potential CG mechanisms, however, the takeover market holds a dark side for shareholders. In addition to being a potential solution to the manager/shareholder agency problem, it can be a manifestation of this problem. Managers interested in maximising the size of their business empires can waste corporate resources by overpaying for acquisitions, rather than returning cash to the shareholders (Udemezue 2021). On the basis of the existing literature, the study focused on this hypothesis:

Hypothesis 1: Awareness of the risk of takeover has no significant relation to the quality of accounting information of listed insurance companies.

The characteristics of the board, such as its size, play a significant role in the relationship between CG and risk taking (Elamer *et al.* 2018; Bozec & Dia 2017). These authors posited that a stronger board of directors may likely exert a moderating influence on managerial attitude, if the board of directors is large, particularly when the company is made up of highly qualified and knowledgeable members. Consequently, Jensen and Meckling (1976) asserted that a strong board of directors can increase the value of agents, by periodically reviewing and appraising insurance companies' management plan and strategies. Moreover, Elamer *et al.* (2018) claimed—in relation to insurance companies in the United Kingdom (UK)—that the board size and board meetings are significantly and negatively associated with risk taking, however, independence of and audit committee size are insignificantly but negatively related to risk taking.

Furthermore, Holtz and Neto (2014) studied the effects of the board of directors' characteristics on the quality

of accounting information in Brazil. The specific objectives of their study was to investigate the effects of the board's structural and compositional characteristics on the quality of the accounting information of companies listed on the Brazilian Securities-, Commodities- and Futures Exchange. Secondary data from the years 2008 to 2011 was used. The results showed that, with regard to companies that trade stocks in the Brazilian market, the characteristics of board independence and the separation of the roles of chairman and executive director positively influenced the quality of reported accounting information. Boubakri *et al.* (2013) argued that awareness of takeover-risk is one of the external mechanisms that enhances managers' motivation to align their interests with those of the shareholders and to ensure maximising of their value. They posited that the takeover market plays a disciplinary role, particularly in the United States (US), as the ownership structure tends to be widely spread in the US, as opposed to the UK's concentrated structure that hinders the takeover mechanism. This paper's authors therefore formulated the second hypothesis:

Hypothesis 2: Board attitude towards risk-taking has no significant relation to the quality of accounting information of listed insurance companies.

The ownership structure of a firm is another way of controlling and managing a firm. This is a way that a firm can efficiently monitor and control for best performance of all the functionalities of the firm (Afolabi, Ololade & Peters 2023). Ownership and control are rarely completely separated within any firm—the controllers frequently possess some degree of ownership of the equity of the firms they control, whilst certain owners, by virtue of the size of their equity positions, effectively hold control over the firms they own (Afolabi *et al.* 2023). Thus, ownership structure is a potentially important element of CG.

It is reasonable to presume that greater overlap between ownership and control should lead to a reduction in conflicts of interest and, therefore, to higher firm value, although the relationships between ownership, control, and firm value are more complicated, even when ownership by a company's management, for example, can serve to better align stakeholders' interests with those of the company's shareholders (Nkanbia-Davies, Gberegbe, Ofurum & Egbe 2016). The extent to which managers' and shareholders' interests are not fully aligned, e.g., higher equity ownership, can provide managers with greater freedom to pursue their own objectives without fear of reprisal, i.e., it can entrench managers, and the ultimate effect of managerial ownership on firm value depends upon the tradeoff between the alignments and entrenchment effects (Nkanbia-Davies *et al.* 2016).

In many countries, the government is a significant owner of corporations. Government ownership represents an interesting hybrid of dispersed and concentrated ownership. When the government is viewed as a single entity, then state-owned corporations hold extremely concentrated ownership, unlike private block-holders (Luyima 2015). However, government ownership is funded with money that,

ultimately, belongs to the state as a whole, and not to the individuals within the government that influence the actions of the firm and, over time, there has been a trend away from state ownership of corporate assets (Luyima 2015). The conversion from state- to private ownership, termed "privatisation", provides an interesting setting to the examination of the effects of ownership structure on firm performance.

One other very important variable or sub-segment of CG, barely explored, is ownership structure. The ownership structure can influence how a firm is governed and what types of decisions are made. It can also be assumed that the ownership structure can influence the way and quality of financial reporting in firms. However, based on the existing literature, this study focused on the third hypothesis:

Hypothesis 3: Ownership structure does not significantly impact the quality of the accounting information of listed insurance companies.

Insurance companies also compete with risk retention groups that provide financial protection for groups with specific liability risks, such as medical malpractice. Insurance companies generally compete on price and by the quality of the services that it provides (Afolabi *et al.* 2023). The price of insurance, as with most anything offered for sale, is determined by the cost of production and the amount of competition within the industry. The revenue from selling insurance covers losses and loss adjustment expenses, acquisition expenses, administrative expenses, taxes, and profit.

Acquisition expenses consist mostly of marketing costs, such as for advertising, and for commissions paid to insurance brokers and agents. Some forms of insurance, such as auto insurance and term life insurance, are sold directly, rather than through brokers or agents, which helps reduce the premium (Adedeji *et al.* 2020). However, many types of insurance are more complex, with a greater number of variables, such as commercial property- and casualty insurance or variable life insurance, that virtually require the use of a broker or agent. Literature has reported little evidence on the efficiency of product market competition in the insurance firms, as this mechanism may likely occur as a result of financial distress (Boubakri *et al.* 2013). Consequently, the fourth hypothesis was formulated:

Hypothesis 4: The level of competition in the industry holds no significant relationship with the quality of accounting information of listed insurance companies.

Accounting information is considered when deciding between different courses of action, and results in informed decision-making. It serves to reduce the uncertainty inherent to the business environment, where decisions are made concerning the future. It further reduces system entropy, based on the assumption that chaos exists in the absence of information. Mustapha, Rashid, Bala and Musa (2020) viewed information as a measure of uncertainty or entropy in a situation. This implies that the greater the uncertainty, the more accounting information and other data are required.

The role of the accountant in producing accounting information is to observe, screen and recognise events and transactions, to measure and process it, and to compile corporate reports containing accounting information that are communicated to users. These are then interpreted, decoded and used by management and other user groups. The main requirement of such corporate reports is that it should be useful to users (John & Ogechukwu 2018). The provision of information that is useful to the decision-making process, is currently recognised as the main purpose of accounting information. This holds true for theoretical frameworks on financial reporting as well as accounting literature. Gujarati (2014) confirmed that accounting literature is dominated by the notion of decision- usefulness—this implies that corporate reporting should continuously meet the changing needs of all users of accounting information.

According to the International Accounting Standards Board, the essential principle of assessing financial reporting quality is related to the faithfulness of the objectives and the quality of disclosed information in a company's financial reports (Herath & Albarqi 2017). These qualitative characteristics enhance the facilitation of assessing the usefulness of financial reports, that also results in a high level of quality. To achieve this level, financial reports must be faithfully represented, comparable, verifiable, timely, and understandable. Thus, the emphasis is on providing transparent financial reports and not to submit misleading financial reports to users—not to mention the importance of preciseness and predictability as indicators of superior financial reporting quality (Umar, Dikki & Yahaya 2018; Gajevszky 2015).

2.2 The Nigerian insurance industry

Historically, social insurance existed in Nigeria long before the official introduction of modern insurance (Nkwor & Ozor 2022). The social insurance scheme existed in the form of social associations, such as age grades and unions, and also in the form of extended family systems. Social insurance was practised by donating cash and materials, and by organised collective labour, collated to assist members of extended families and communal- or social associations, who had suffered a mishap. This mishap could be in the form of death, accident, sickness or unemployment, and members could also be celebrated for their marriages, childbirth and graduation. Insurance business was first introduced in Nigeria by the British colonial government in 1910, germinating in 1921, and becoming more organised in the 1960s, with formal regulation in 1961. The sector underwent an indigenisation process in the 1970s and 1980s, open to foreign competition. The announcement of the new capitalisation requirement for this industry took it through a reformation process from 2005 to 2006. This resulted in the consolidation of the industry and 71 insurance companies were rectified in February 2007.

The regulating body in charge of the insurance sector in Nigeria is NAICOM, established as replacement for the Nigeria Insurance Supervisory Board in 1997. The main legislation guiding this sector is the NAICOM Act of 1997 (as amended in 2003) and the Consolidation

and Recapitalization Guidelines of 2005. The Federal Ministry of Finance oversees NAICOM, whose primary role is to supervise, regulate and control the insurance business in Nigeria, and issue codes of CG for listed insurance companies. The major actors in this market in Nigeria are insurers, regulating bodies, insurance brokers, insurance agents and the insured (NAICOM 2023).

The Nigerian insurance business is categorised as life- and non-life insurance (Umar *et al.* 2018). Insurance Decree No. 2 of 1997 classified life insurance as group- and individual life assurance. Non-life insurance, that can also be referred to as general insurance, is classified as insurance in respect of fire, marine and aviation, burglary, theft, accident, motor vehicle, workmen's compensation, goods in transit, oil and gas, contractors and engineering risk (NAICOM 2023). The Insurance Act of 2003 recognised four classes of insurance business, namely life insurance business; general insurance business; composite insurance business; and re-insurance business. Technically, in the insurance business world, the word "assurance" is used to refer to life insurance. This is the class of business that deals with human life (Braga-Alves, & Shastri 2011). Under this class of business a life insurance contract is sealed and "life insurance" is defined as the contract in terms of which one party agrees to pay a given sum on the happening of a particular event, contingent upon the duration of human life, in consideration of the payment of a sum by another (Nkwor & Ozor 2022). According to the Insurance Act of 2003, mainly three classes of business are underwritten under life insurance business, i.e., individual life insurance, group life insurance and pension business (NAICOM 2023).

According to Nkwor and Ozor (2022), general insurance business denotes fire-, marine- or miscellaneous insurance business, that is performed singly or in combination of these. They further explained that "miscellaneous insurance" includes casualty, such as personal accident, motor insurance and theft. In the case of general insurance business, eight classes of business are specified by Insurance Act of 2003, i.e., fire insurance business, general accident insurance business, motor vehicle insurance business, marine- and aviation insurance business, oil- and gas insurance business, engineering insurance business, bond credit guarantee and surety ship insurance business, and miscellaneous insurance business.

2.3 Theoretical framework

This study is anchored by Agency theory with reference to the effects of CG mechanisms, such as awareness to takeover-risk, board attitude towards risk-taking, ownership structure, and firm characteristics, such as the level of firm competition on the quality of accounting. The CG in insurance firms differs from that of non-financial firms, owing to complexity and size of insurers, and as a result of the wide range of stakeholders, such as shareholders, customers, employees, regulators and tax authorities (Elamer *et al.* 2018). Elamer *et al.* (2018) argued that Agency theory contend that sound CG practices hold the power to oversee the board of directors' behaviour, especially when the board of directors is large and its members

assign appropriate attention to the companies of which they are independent directors. Consequently, Agency theory implies that strong CG mechanisms provide regular controls that ensure dependable and real performance, thus, sound CG systems may likely increase value to agents through periodical confirmation and evaluation of insurance companies' management plans and strategies (Jensen & Meckling 1976). The importance of CG mechanisms is to moderate agency challenges and ensure that managers' performance is equated with shareholders interest, thus, the best CG practices are organised to safeguard the board of directors' actions and tasks from unregulated influence, and then to reduce agency cost associated with the tasks, by reducing information asymmetry (Elamer *et al.* 2018).

3 METHODOLOGY OF THE STUDY

3.1 Population, sampling and reliability

The study adopted a cross sectional research design to examine the effect of CG, industry characteristics and quality of accounting information. The study population comprised 525 employees of the 23 listed insurance companies in Nigeria and regulatory body officers from NAICOM. These constituted the key stakeholders who could provide information on the issue of CG and accounting information in Nigeria. The Morgan table was used to determine the sample size, that resulted in the distribution of 220 copies of the questionnaire.

The primary data used in this study was collected via the questionnaire, administered to the senior staff of the departments of the targeted respondents in listed insurance companies, in Nigeria. The selection of a five point Likert scale was justified by Bryman and Bell's (2007) position, that it enables the respondents to express their level of agreement with the statement in the question, effectively. Thus, the reason for using that scale was to measure intensity of feeling concerning the subject in question.

The sampling method was "snowballing", a non-parametric sampling method for the administration of survey questions. The justification for using this method was to select the sampling from existing study subjects that would be able to recruit future subjects from amongst their acquaintances, thus the sample grew like a rolling snowball, creating sufficient data gathered through the survey questionnaire that was useful to this research, as a result of the large population.

The data was analysed by application of both descriptive and inferential statistics. The descriptive statistics employed included the Frequency table and simple percentages, in order to show the snapshot of the dependent and the independent variables. The inferential statistics employed in testing the hypotheses was Multiple Regression analysis—a statistical tool that is capable of inspecting the relationship between two or more variables, simultaneously (Daniel 2022). Since this study had five variables, the application of Multiple Regression analysis was justifiable, as it could run the relationship between the five variables, concurrently, and

accurately test the relationships between it. It is a robust tool that can test the validity and reliability of the indicators of each variable and determine its fit in the measurement model.

Prior to hypotheses-testing, a validity- and reliability test was performed, in order to ensure that the research instrument actually reflected the purpose of the

construct used in this study. The reliability test was performed via Cronbach's alpha that measures the reliability or internal consistency of the data set, testing to determine whether the multiple response questions informing the Likert-scale surveys, were reliable. The rule of thumb for Cronbach's alpha is that a score of more than 0.7 is usually accepted (Papageorgiou *et al.*) 2022).

Table 1: Reliability test of the variables of the study

	Cronbach's Alpha	Item
Awareness of takeover-risk	0.85	5
Level of competition	0.71	5
Board attitude towards risk-taking	0.73	4
Ownership structure	0.82	5
Quality of accounting information	0.94	5

(Source: Own research survey, 2022)

The reliability of the research instrument used was measured, using Cronbach's alpha. The result of the reliability test shows that all the scales of measurement presented a Cronbach's alpha exceeding the minimum threshold of 0.7. Based on this result, it was deemed that the items in the research instrument were reliable and fit for use in the study.

3.2 Model specification

$$QAI = f(ART, LOC, BOD, OWS)$$

Where:

QAI: Quality of accounting information

ART: Awareness of risk of takeover

LOC: Level of competition

BOD: Board attitude to risk-taking

OWS: Ownership structure

However, to express equation in econometric terms, the following equation was formulated:

$$QAI = \alpha + \beta_1 ART + \beta_2 LOC + \beta_3 BOD + \beta_4 OWS + \mu$$

Where:

α : slope or intercept of the model

β_1 : coefficient of awareness of risk of takeover

β_2 : coefficient of level of competition in the industry

β_3 : coefficient of board attitude to risk-taking

β_4 : coefficient of ownership structure

μ : error term

4 DATA ANALYSIS AND DISCUSSION

This section provides the results of the analysis of data that was collected via the administered survey questionnaire. Furthermore, the section presents the respondents' demographic profiles, model specification, descriptive statistics, Normality test and the hypotheses tested.

4.1 Response rate to survey questionnaire distributed

Table 2 explains the distribution of questionnaires and the response rate by the respondents.

Table 2: Response rate to the survey questionnaire

Responses	Frequency	Rate (%)
No. of questionnaires administered	220	100
Returned copies of questionnaire	215	98
Copies of questionnaire not returned	5	2
Response rate		98

(Source: Own research survey, 2022)

In this study, copies of a questionnaire were distributed to the respondents. An aggregate of 215 copies were returned, representing a 98% response rate. Thus, 215 completed questionnaires were usable for data analysis.

4.2 Demographic profile of the respondents

Table 3 explains the descriptive analysis of the respondents for this study.

Table 3: Summary of the respondents' demography

Gender	No. of resp.	%
Male	115	53.48%
Female	100	46.52%
Total	215	100.0%
Occupation		
Director	25	11.63%
Senior manager	45	20.93%
Manager	50	23.25%
Supervisor	65	30.23%
NAICOM	15	6.98%
SEC	15	6.98%
Total	215	100.0%
Years of experience		
< 6 years	75	34.88%
6 – 10 years	68	31.63%
11 – 15 years	55	25.58%
Over 15 years	17	7.91%
Total	215	100.0%
Formal education		
Bachelor's degree	170	79.07%
Master's degree	45	20.93%
Total	215	100.0%
Level of knowledge on corporate governance, and accounting information		
High	183	85.11%
Medium	32	14.88%
Total	215	100.0%

(Source: Own field survey, 2022)

4.3 Descriptive statistics of the variables

- Descriptive statistics of all measurement items for awareness of the takeover market in the insurance industry on the survey questionnaire

As illustrated in table 4, the mean scores reflected a number of differences on the items used to measure the public participation constructs.

Table 4: Awareness of risk of takeover

Statement	Code	Mean	Std. dev	% of Frq.	Decision
<i>There is a high level of awareness of executive management on the potential pros and cons of strategic acquisitions and buyouts</i>	ART	4.64	1.26	SA – 63.6%	Agreed
<i>Targeting companies to gain strategic advantages, influencing quality of accounting information</i>	ART	4.19	1.26	A – 82.2%	Agreed
<i>Dedicated teams that provide updates on industry portfolio, that enhance the quality of accounting information reported</i>	ART	4.00	1.51	A – 93.7%	Agreed
<i>Usually targeted companies for acquisitions, tend to present accounting reports that portray the desired earnings amount</i>	ART	3.87	1.49	A – 93.6%	Agreed
<i>There is an adequate process of merger and acquisition, that enhance the quality of accounting information</i>	ART	3.00	1.08	A – 34%	Agreed

(Source: Own field survey, 2021)

- Descriptive statistics of all measurement items for level of competition on accounting information in the insurance industry on the survey questionnaire

Table 5 indicates the mean scores reflecting a number of the differences on the items used to measure the disclosure requirement constructs.

Table 5: Level of competition in the industry

Statement	Code	Mean	Std. dev	Perc. of frequency	Decision
<i>The market is highly volatile</i>	LOC	4.90	1.81	SA – 92%	Agreed
<i>Firms in the market introduce new products from time to time in the market</i>	LOC	4.77	1.73	SA – 88%	Agreed
<i>Pricing strategies in the industry are unpredictable</i>	LOC	4.44	1.32	SA – 69.2%	Agreed
<i>Customers are always required for new innovations in the market</i>	LOC	3.95	0.85	A – 51.2%	Agreed
<i>The industry often faces frequent changes in government policies</i>	LOC	3.66	0.61	A – 41.2%	Agreed

(Source: Own field survey, 2022)

- Descriptive statistics of all measurement items for board attitude towards risk-taking in the insurance industry on the survey questionnaires

Table 6 denotes the mean scores reflecting a number of the differences on the items used to measure board attitude towards risk-taking constructs.

Table 6: Board attitude towards risk-taking

Statements	Code	Mean	Std. dev	% of Fq.	Decision
<i>Board attitude towards risk-taking and timely disclosure</i>	BOD	4.44	1.16	SA – 62%	Agreed
<i>The board follows a defined risk profile that is part of the regulation that established the insurance company</i>	BOD	4.01	1.50	A – 95.2%	Agreed
<i>Ensuring reinsurance coverage in cases of perceived high risk even though it reduced the potential returns</i>	BOD	3.93	1.43	A – 91.2%	Agreed
<i>The Board takes risks higher than the risk appetite in order to earn higher returns</i>	BOD	2.18	0.69	D – 90%	Disagreed

(Source: Own field survey, 2022)

As presented in table 6, the board of insurance companies held a strong attitude towards risks (mean = 4.4), suggesting that insurance companies truly pay close attention to its core business— which is risk. The board of directors' strong attitude towards risk indicated that they were extremely conservative in their risk approach.

- Descriptive statistics of all measurement items for ownership structure in the insurance industry on the survey questionnaire

The mean scores reflected a number of differences on the items used to measure the ownership structure constructs, indicated in table 7.

Table 7: Ownership structure

Statement	Code	Mean	Std. Dev	% Frq.	Decision
<i>When government owned the majority of shares in insurance companies, it had an effect on the quality of accounting information</i>	OWS	4.78	1.66	SA – 85.2%	Agreed
<i>Foreign nationals are part of the shareholders and influence the quality of accounting information</i>	OWS	4.52	1.34	SA – 70.4%	Agreed
<i>Insurance companies owned by individual majority shareholders can influence the quality of accounting information</i>	OWS	2.97	1.02	U – 87.6%	Undecided
<i>Publicly owned insurance companies tend to present good quality accounting information</i>	OWS	2.42	0.59	D – 76.8%	Disagreed
<i>The board members and senior management are generally the majority shareholders in an insurance company and influence the quality of accounting information</i>	OWS	2.25	0.65	D – 86.8%	Disagreed

(Source: Own field survey, 2022)

Table 7 denotes that the quality of accounting information is influenced when government and foreign nationals own the majority of the shares in an insurance company. However, on the flip side, quality of accounting is not influenced when individuals own the share majority or when shares are publicly held. Furthermore, quality of accounting information is generally not influenced when board members and senior management are majority shareholders. This result suggested that ownership structure influences the quality of accounting information, however, at this

stage, the direction of influence could not be determined.

- Descriptive statistics of all measurement items for quality of accounting information in the insurance industry on the survey questionnaire

The mean scores reflected a number of differences on the items used to measure the quality of accounting information constructs, as shown in table 8.

Table 8: Quality of accounting information

Statement	Code	Mean	Std. dev	% Frq	Decision
<i>Usual compliance with financial reporting regulations with understanding and reliability</i>	QAI	4.85	1.75	SA – 89.2%	Agreed
<i>Financial reports of insurance companies are usually prepared in conformity with the principles of relevance and comparability</i>	QAI	4.04	1.32	A – 85.6%	Agreed
<i>Faithful representation of company financial reports</i>	QAI	4.03	1.43	A – 91.2%	Agreed
<i>Financial reporting information prepared timely to the users</i>	QAI	3.21	0.96	U – 84.4%	Agreed
<i>Management's reliance on accounting information provided for decision-making</i>	QAI	3.00	1.08	SA – 91.6%	Agreed

(Source: Own field survey, 2022)

The results presented in table 8 indicate that all the statements held mean equal to or greater than 3, suggesting that insurance companies present quality of accounting information, concerning the usual compliance with financial reporting regulations;

preparation of reports in conformity with the principles of relevance and comparability; faithful representation of company financial reports; timely reporting; and strong reliance by management on reported financial reports.

Table 9: Descriptive statistics of variables

Variables	Mean	Std. dev	Perc. of frequency	Decision
<i>Awareness of risk of takeover</i>	3.94	1.32	73.42	Agreed
<i>Level of competition in the industry</i>	4.34	1.26	68.32	Agreed
<i>Board attitude towards risk-taking</i>	3.64	1.20	84.60	Agreed
<i>Ownership structure</i>	3.39	1.05	19.9	Agreed
<i>Quality of accounting Information</i>	4.78	1.64	88.4	Agreed

(Source: Own field survey, 2022)

Table 9 revealed that the variables had a mean greater than 3. This indicated that the respondents agreed with all the variables, with "awareness of risk of takeover" holding a mean of 3.94 and a frequency of 73.42%;

"quality of accounting information" had a mean of 4.78 and 88.4% agreement; and "ownership structure" had a mean of 3.30 and 19.9% agreed to the question items on that variable.

Table 10: Result of the normality test of the variables

	Kurtosis	Skewness	Kolmogorov-Smirnov	
			Statistics	Significance
Awareness of the takeover market	0.32	-0.95	0.15	0.75
Level of competition	0.11	0.95	0.10	0.82
Board attitude towards risk-taking	1.82	0.66	0.06	0.97
Ownership structure	1.51	0.67	0.412	0.06
Quality of accounting information	1.38	-1.14	0.252	0.13

(Source: Own research survey, 2022)

Table 11: Showing the variance inflation factor of the variables

	VIF	Tolerance
Awareness of the takeover market	1.405	0.712
Level of competition	2.052	0.487
Board attitude towards risk-taking	1.637	0.611
Ownership structure	1.788	0.559

(Source: Own research survey, 2022)

Variance Inflation Factor was used to ascertain the level of multi-collinearity between the independent variables, to ensure that the assumptions of regressions were not violated. From the result, it can be seen that the VIF of all the variables did not exceed ten, hence, suggesting that the variables were not multi-collinear and thus fit for regression analysis.

4.4 Result of the regression analysis of CG, industry characteristics and the quality of accounting information

In Table 12, the F change is 58.64, which indicates that the variables (awareness of takeover market, level of competition in the insurance industry, board attitude towards risk, and ownership structure and quality of accounting information) were jointly significant in explaining the impact of CG on the quality of the accounting information of listed insurance companies. From the result, the t-statistics were positive at 4.85,

5.58, 3.22 and 1.92, for takeover market awareness, level of competition in the insurance industry, board attitude towards risk, and ownership structure and quality of accounting information, based on the decision rule in terms of the t-statistic. The p-value (.000, .000, .000, and .002) indicated that takeover market awareness, level of competition in the insurance industry, board attitude towards risk, and ownership structure and quality of accounting information, was significant. From the regression result, the coefficient of determination (R^2) was 0.70, which signified that 70% of the variation in the dependent variable could be explained by the independent variables, whereas 30% could be explained by the error term, and it also indicated a strong correlation between the dependent variable and the set of predictors, as a whole. From the result, the DW was 0.879 which was equally higher than the lower and upper DW at a 5% level of significance. This indicated that there was no presence of auto-correlation in the variables used.

Table 12: Result of the regression analysis of CG, industry characteristics and the quality of accounting information

Variables	Coefficient	Standard error	T-statistics	P-Value
Constant	1.86**	1.54	1.21	0.000
Awareness of takeover (AOT)	0.33**	0.07	4.85	0.000
Level of competition (LOC)	0.50**	0.09	5.58	0.000
Board attitude to risk (BOB)	0.53**	0.44	3.22	0.000
Ownership structure (OWS)	0.37**	0.05	1.92	0.002
R-square	0.70			
F	58.64			

Model: $QAI = \beta_0(\text{constant}) + \beta_1(ART) + \beta_2(LOC) + \beta_3(BOD) + \beta_4(OWS) + \mu$

* Heteroscedasticity is corrected using white –adjusted standard error

** significant at 1 percent level

The first research question was applied to investigate the first objective of the study. This objective examined the effect of the awareness of the risk of take-over on the quality of accounting information amongst listed insurance companies in Nigeria. Results from the regression analysis showed that there was a positive and significant relationship between awareness of the takeover market and accounting information amongst listed insurance companies, at a 0.05% level of significance. This result suggests that there is more awareness to the risk of takeover of insurance companies, that enhances the quality of accounting information to a higher level.

The second research question was used to examine the second objective of the study. This objective examined the impact of the level of competition in the insurance industry on the quality of accounting information amongst listed Nigerian insurance companies. Results from the regression analysis indicated a positive and significant relationship between the level of competition and accounting information amongst listed insurance companies, at a 0.05% level of significance. This finding implies that competitiveness amongst insurance firms in Nigeria enhance the quality of accounting information. The result is in line with the assumption of the “Contingency theory”, i.e., that companies use a CG mechanism to assist management in taking informed decisions concerning pricing strategies, customers’ needs, and market innovations of product. Therefore, as part of the contingency, efficient managers will consider the different situational variables in decision-making. For this reason, it is believed that corporate managers should prioritise shareholders’ personal interests.

The third research question was applied to investigate the third objective of the study. This objective examined the impact of the board’s attitude toward risk-taking on the quality of accounting information amongst listed insurance companies in Nigeria. There was evidence of a positive, significant relationship between board attitude towards risk-taking and the quality of accounting, and this result was consistent with that of Holtz and Neto (2014). The finding suggests that insurance companies in Nigeria are properly monitored and appraised regularly, with highly qualified members of the board of directors that provide a sound quality of accounting information.

Result from the regression analysis indicated a positive, significant relationship between ownership

structure and accounting information amongst listed insurance companies. This finding suggested that the widely spread ownership structure of insurance companies in Nigeria promoted the quality of accounting information. In Nigeria, insurance firms’ ownership structure are widely dispersed, encouraging different ideals, knowledge, expertise and experts possessed of knowledge and skills on accounting information, thus improving the quality of accounting information in the annual reports of insurance firms.

5 CONCLUSION

The study examined the awareness of the risk of takeover as a subset of the CG mechanism on the quality of accounting information and found that a higher awareness to takeover-risk promoted a higher quality of accounting information. The level of competition faced by a corporate entity suggested a significant, positive influence on the quality of financial information disclosed by management.

There was evidence from the findings that the attitude of the board to risk-taking enhances the quality of accounting information, as the board members comply with the risk-taking- and ownership structure policies by NICOM—the regulatory body of insurance companies in Nigeria. The findings suggested that in insurance companies, the board of directors’ attitude towards risk-taking and the ownership structure, as CG mechanisms, play a vital role in the organisation of the companies, with all things being equal—affirming the position of Elamer *et al.* (2018). The competitiveness amongst insurance companies in Nigeria enhances the quality of accounting information. This finding confirmed the use of CG mechanisms to assist management in rendering informed decisions concerning pricing strategies, customers’ needs and market innovations of product.

6 RECOMMENDATIONS

In view of the findings, it is recommended that government should increasingly issue policy *via* regulatory bodies, such as NICOM and the Securities Exchange Commission, that is in line with the international standard of discouraging undue take-over practices amongst corporate organisations, in order to prevent fear amongst management that may, in turn, warrant creative accounting practices. In addition, competition in the industry should be regulated, to discourage unhealthy rivalry amongst insurance companies.

REFERENCES

- Adedeyi, B.S., Ong, T.S., Uzir, M.U.H. & Hamid, A.B.A. 2020. Corporate governance and performance of medium-sized firms in Nigeria: Does sustainability initiative matter? *Corporate Governance*, 20(3):401-427. <https://doi.org/10.1108/CG-09-2019-0291>
- Adnan, S.M., Hay, D. & Van Staden, C.J. 2018. The influence of culture and corporate governance on corporate social responsibility disclosure: A cross country analysis. *Journal of Cleaner Production*, 198:820-832. <https://doi.org/10.1016/j.jclepro.2018.07.057>
- Afolabi, A.A., Ololade, B.M & Peters A.A. 2023. Board Attitude towards risk-taking, Ownership Structure and Quality of Accounting Information of Listed Insurance Companies in Nigeria. *Global Journal of Accounting (GJA)*, 9(1):34-45.
- Aguilera, R.V., Marano, V. & Haxhi, I. 2019. International corporate governance: A review and opportunities for future research. *Journal of International Business Studies*, 50(4):457-498. <https://doi.org/10.1057/s41267-019-00232-w>
- Bae, S.M., Masud, M.A.K. & Kim, J.D. 2018. A cross-country investigation of corporate governance and corporate sustainability disclosure: A signalling theory perspective. *Sustainability*, 10(8):2611. <https://doi.org/10.3390/su10082611>
- Bhagat, S. & Bolton, B. 2019. Corporate governance and firm performance: The sequel. *Journal of Corporate Finance*, 58:142-168. <https://doi.org/10.1016/j.jcorpfin.2019.04.006>
- Boubakri, N., Cosset, J. & Saffar, W. 2013. The role of state and foreign owners in corporate risk-taking: Evidence from privatization. *Journal of Financial Economics*, 108(3):641-658. <https://doi.org/10.1016/j.jfineco.2012.12.007>
- Bozec, R. & Dia, M. 2017. Monitoring function of the board and audit fees: Contingent upon ownership concentration. *International Journal of Accounting & Information Management*, 25(1):70-90. <https://doi.org/10.1108/IJAIM-05-2016-0054>
- Braga-Alves, M.V. & Shastri, K. 2011. Corporate governance, valuation and performance: Evidence from a voluntary market reform in Brazil. *Financial Management*, 40(1):139-157. <https://doi.org/10.1111/j.1755-053X.2010.01137.x>
- Bryman, A. & Bell, E. 2007. *Business research methods*. 2nd ed. Oxford: Oxford University Press. ISBN 97-0-19-928498-6
- Daniel, B. 2022. The role of research methodology in enhancing postgraduate students research experience. *Electronic Journal of Business Research Methods*, 20(1):34-48. <https://doi.org/10.34190/ejbrm.20.1.2253>
- Danoshana, S. & Ravivathani, T. 2019. The impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. *SAARJ Journal on Banking & Insurance Research*, 8(1):62-67. <https://doi.org/10.5958/2319-1422.2019.00004.3>
- Elamer, A.A., AlHares, A., Ntim, C.G. & Benyazid, I. 2018. The corporate governance–risk-taking nexus: Evidence from insurance companies. *International Journal of Ethics and Systems*, 34(4):493-509. <https://doi.org/10.1108/IJOES-07-2018-0103>
- Eling, M. & Marek, S.D. 2014. Corporate governance and risk taking: Evidence from the UK and German insurance markets. *Journal of Risk and Insurance*, 81(3):653-682. <https://doi.org/10.1111/j.1539-6975.2012.01510.x>
- Gajevszky, A. 2015. Assessing financial reporting quality: Evidence from Romania. *Chamber of Financial Auditors of Romania*, 79(2):1583-5812.
- Gujarati, D.N. 2014. *Basic econometrics*. 4th ed. New York, NY: McGraw-Hill.
- Herath, S.K. & Albarqi, N. 2017. Financial reporting quality: A literature review. *International Journal of Business Management and Commerce*, 2(2):1-14.
- Holtz, L. & Neto, A.S. 2014. Effects of board of directors' characteristics on the quality of accounting information in Brazil. *Revista Contabilidade & Finanças*, 25(66):255-266. <https://doi.org/10.1590/1808-057x201412010>
- Jensen, M.C. & Meckling, W.H. 1976. Theory of the firm: Managerial behaviour, agency cost and ownership structure. *Journal of Financial Economics*, 3(4):305-306. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

- Jiang, F. & Kim, K.A. 2020. Corporate governance in China: A survey. *Review of Finance*, 24(4):733-772. <https://doi.org/10.1093/rof/rfaa012>
- John, A.T. & Ogechukwu, O.L. 2018. Corporate governance and financial distress in the banking industry: Nigerian experience. *Journal of Economics and Behavioral Studies*, 10(1):182-193. <https://doi.org/10.22610/jebis.v10i1.2101>
- Kovermann, J. & Velte, P. 2019. The impact of corporate governance on corporate tax avoidance—A literature review. *Journal of International Accounting, Auditing and Taxation*, 36:100270. <https://doi.org/10.1016/j.intaccaudtax.2019.100270>
- Lei, Z., Gong, G., Wang, T. & Li, W. 2022. Accounting information quality, financing constraints, and company innovation investment efficiency by big data analysis. *Journal of Organizational and End User Computing*, 34(3):1-21. <https://doi.org/10.4018/JOEUC.292525>
- Luyima, A.N. 2015. *Corporate governance and organisational performance of insurance companies in Kenya*. Master's dissertation. University of Nairobi: Nairobi. <http://hdl.handle.net/11295/93239>
- Mustapha, U.A., Rashid, N., Bala, H. & Musa, H. 2020. Corporate governance and financial performance of Nigeria listed banks. *Journal of Advanced Research in Dynamical & Control Systems*, 12(1):5-10. <https://doi.org/10.5373/JARDCS/V12I1/20201002>
- National Insurance Commission (NAICOM). 2023. Bulletin of the insurance market performance. Statistics Department Synopsis of the Insurance Market In Second Quarter, 1-10
- Nkanbia-Davies, L.O., Gberegbe, F.B., Ofurum, C.O. & Egbe, S. 2016. Corporate governance and earnings quality of listed banks in Rivers state. *International Journal of Business and Management Invention*, 5(7):29-33. [https://www.ijbmi.org/papers/Vol\(5\)7/version-2/D057202933.pdf](https://www.ijbmi.org/papers/Vol(5)7/version-2/D057202933.pdf)
- Nkwor, N.N. & Ozor, K.C. 2022. MSMEs and insurance consumption gap in Nigeria: An assessment of the impact of regulatory origin and trust. *Journal of Insurance and Financial Management*, 5(4):78-100.
- Odoemelam, N. & Okafor, R.G. 2018. The influence of corporate governance on environmental disclosure of listed non-financial firms in Nigeria. *Indonesian Journal of Sustainability Accounting and Management*, 2(1): 25-49. <https://doi.org/10.28992/ijssam.v2i1.47>
- Papageorgiou, S.N., Koletsi, D., Patcas, R., Seehra, J., Cobourne, M.T., Will, L.A. & Eliades, T. 2022. Knowledge of evidence-based research methodology amongst orthodontic postgraduate residents in four universities: An international survey. *International Orthodontics*, 20(1):100609. <https://doi.org/10.1016/j.ortho.2022.100609>
- Udemezue, S.C. 2021. A compendium of the historical, legal and institutional framework for the practice of company law and corporate governance in Nigeria. *Journal of Commercial and Property Law*, 8(2):14-30. <https://doi.org/10.2139/ssrn.3849221>
- Umar, A.A., Dikki, A.C. & Yahaya, O.A. 2018. International financial reporting standards and financial reporting quality of listed insurance firms in Nigeria. *Journal of Accounting and Management*, 1(1):271-280.
- Zaman, R., Jain, T., Samara, G. & Jamali, D. 2020. Corporate governance meets corporate social responsibility: Mapping the interface. *Business & Society*, 61(3):690-752. <https://doi.org/10.1177/0007650320973415>

APPENDIX 1

The listed companies, according to the Nigerian Stock Exchange, include:

- 1 African Alliance Insurance
- 2 AIICO Insurance
- 3 AXA Mansard Insurance
- 4 Consolidated Hallmark Insurance
- 5 Cornerstone Insurance
- 6 Goldlink Insurance
- 7 Guinea Insurance
- 8 International Energy Insurance
- 9 Lasaco Assurance
- 10 Law Union and Rock Insurance

- 11 Linkage Assurance
- 12 Mutual Benefit Insurance
- 13 NEM Insurance
- 14 Niger Insurance
- 15 Prestige Assurance Co
- 16 Regency Alliance Insurance
- 17 Sovereign Trust Insurance
- 18 Staco Insurance
- 19 Standard Alliance Insurance
- 20 SUNU Assurances Nigeria
- 21 Universal Insurance
- 22 Veritas Kapital Assurance
- 23 Wapic Insurance.



*The Southern African
Journal of Accountability
and Auditing Research*



Evolving Research