

Corporate Governance Structure and Insurance Companies' Performance in Ghana

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Abstract

The study seeks to explore the relationship between internal corporate governance structures and the performance of insurance companies. Adopting a descriptive study approach, a random sampling technique was used to select a sample size of 200, comprising 150 customers and 50 staff from the five insurance companies within the Kumasi Metropolis for them to respond to structured questionnaires. The study found out that corporate governance is essential in every corporate body, ensuring smooth operations of the firms and also ensures transparency of the day to day activities of the firms in order to build up confidence in stakeholders of the firms. However, firms tend to be affected mainly by the interference of government decision and the abrupt change in direction of the firms when there is a change in government. It is therefore recommended that, the firms adopt fair practices that would ensure that the corporate governance framework would protect and facilitate the exercise of shareholders' rights. It is also recommended that the BOD should ensure the provision of strategic guidance of the firm, effective monitoring of management, and the board's accountability to the firm and the shareholders so as to improve its performance.

Keywords: Corporate Governance Structure, Corporate Governance, Insurance Companies, Ghana.

1. Introduction

Corporate governance systems became popular throughout the public interest because of its importance for the economic health of firms and society in general. Matheisan (2002) opined that corporate governance is a field in economics that studies how to secure/motivate efficient management of companies through the use of incentive mechanisms, such as legal agreements, organizational deals as well as legal guidelines. This is often limited to the issue of improving financial performance, such as how business owners can secure/motivate corporate managers to deliver a competitive rate of return. It refers to methods, laws and policies that direct, control and administer important functions of a corporate entity, be it private or public.

The corporate governance structure in the financial sector has important implications for the stability of the whole economy. The benefits of good corporate governance practices to a firm, among others, include: facilitating greater usage of finance, lower interest rate, better overall performance and favourable treatment of stakeholders (Claessens et al., 2002); promoting better information disclosure, thereby aiding better marketplace in addition to cash development (Frost et al., 2002); and boasting financial performance (Gompers et al., 2003).

An effective system of corporate governance in insurance firms will impose both standards of conduct for managers and appropriate procedures for internal controls in order to maximize opportunities for pooling funds from many insured entities so as to settle for losses which can eventually occur to these companies. The insured entities are therefore shielded from risk for a fee (premium), with the premium being dependent on the frequency and severity of the event occurring. However, to become insurable, the insured must meet certain characteristic. To that end, good corporate governance manages the relationship between insurance policyholders and insured companies, along with board supervision to prevent abuse of power along with self-serving conduct, as well as imprudent and high risk behaviour of insurance firm managers, and to resolve conflict of interest between the principal and the agents.

In recent times, corporate governance has been the major issue in business management to most policy makers and academicians stemming from a string of collapses of high profile companies. Some of these companies include; Enron, and World Com Telecommunications in the United States and, DKM, Eden Microfinance institutions and Great African Insurance based in Ghana. Other large and trusted companies in Europe, ranging from Parmalat in Italy, the multinational newspaper group, Hollinger Inc., Adephia Communications Company, Global Crossing Limited to the Tyco International Limited, revealed significant and deep-rooted problems in their respective corporate governance structures. Kashif (2008) noted that the deterioration of these companies' portfolio assets was mainly due to the distorted credit management as their main sources of structural meltdown. To a large extent, this problem was the result of poor corporate governance in countries.

In Ghana, there was persistent distress in the financial industry. Poor corporate governance was identified as one of the major factors in almost all the companies regarding instances of financial institutions distress in the country. Weak corporate governance was seen manifesting in the form of fragile internal control

systems, extreme risk alongside non-adherence to help authority, neglect pertaining to the cannon of prudent lending, absence of risk management processes, insider abuses as well as fake techniques continue being the concern of the banking system (Soludo, 2004).

Several studies conducted in the developed countries have confirmed the positive relationship between good corporate governance structure and corporate performance, (Uadiale, 2010; Ibrahim et al., 2010; Aldamen et al., 2011; Makokha, 2014; Bonsai, 2015). However, little research has been done on the subject in Ghana. Apart from Tornyeva and Wereko (2012), no specific study has yet been undertaken on corporate governance structure and performance in the insurance industry. It is based on this premise that the researcher seeks to explore the impact of corporate governance on the performance of insurance firms taking cognizance of the rapid expansion and its assumed importance in the economy of Ghana.

The rest of the paper is organized as follows; literature review, methodology, discussion of results and finally, a summary of key findings and recommendations.

2. Literature Review

2.1 Overview of the Insurance Industry

Insurance according to Igbojekwe (2006) is the identification of a purchaser of insurance contract against losses that may derive from the occurrence of the specified kind of events following the payment of a consideration known as premium. Carter (2001) defined insurance as a contractual relationship between two parties in which one party, the insurer, is paid a premium by the other party, the insured. In return the insurer agrees to indemnify the insured in the event of a covered loss.

Atkins and Bates (2000) identified two insurance markets; the Life and Non-Life insurance markets. The non-life insurance market caters for the needs of many different categories of customers, and thus offers a wide variety of products like home insurance, motor insurance, fire, business interruption, theft, employers' liability and commercial all-risk insurances among others. The relationship between life and non-life insurance is close, and many primary insurers transact both classes. Apart from the obvious differences in subject matter, the main distinction between them is that Life Insurance deal with long term contracts whiles a non-life policy is generally written as a short-term contract for a single event.

Insurance in Ghana has been performing poorly and it stems from several years of non-payments of claims by some insurance companies (AGABI, 2009). This lack of tradition in the claims resulted in bad publicity for the industry and therefore confidence in the industry eroded significantly. Because of the loss of trust in the industry, most Ghanaians no longer consider insurance as a necessity of life.

2.2 The Concept of Corporate Governance

Corporate governance, according to Cadbury (1992) is the system by which companies are directed and controlled. Keasey et al. (2005) defined corporate governance as: The set of mechanisms – both institutional and market based – that induce the self-interested controllers of a company to make decisions that maximize the value of the company to its owners. It is a system through which the interests of all stakeholders are satisfied. The classical concept of corporate governance was to mitigate agency problem. But the financial fraud of the early 1990s and the late 2000s, involving Enron, WorldCom and other large companies have emphasized disclosure, transparency and accountability. The concept of corporate governance has now evolved to entail broader issues from the ownership structure through to the processes and procedures of the firm. Thus corporate governance should be seen to involve the relationship among the firm, its staff, its creditors and the environment in which it operates. It must go beyond financial disclosure and agency problem mitigation to encompass employee compensation, resolving grievances, proper records, conforming to standards and compliance to regulatory requirements.

2.3 Theories of Corporate Governance

2.3.1 Agency Theory

The agency theory suggests that because of the separation of ownership and control in modern enterprises, agents are less likely to always work in the interests of the administration (Jensen and Meckling, 1976). To reduce this divergence of interests, shareholders will have to use internal corporate governance mechanisms to monitor (and induce) rational administrators and managers to perform their functions of maximizing shareholder value and improving business performance. This structural latent factor must be complemented by deliberate efforts to monitor and control managers with corporate governance mechanisms that identify potential problems as well as positive behavior and rewarding good performance managers. The costs arising from the residual loss, liaison and monitoring agents (managers) are known as agency costs. Assuming that the agency fees ensure that managers do not pursue their interests regardless of the interests of shareholders, agency costs reduce the agency problem and help improve business performance (Chen et al, 2009).

2.3.2 Stewardship Theory

The Stewardship theory focuses on the psychological and sociological methods of observation, rather than economic instruments (monetary) of agency theory. Muth and Donaldson (1998) agreed that financial gain is not necessarily the only driver of managerial behaviour, and most managers require some flexibility to manage the company for shareholders effectively. Therefore, separation of ownership is not considered weaknesses in the stewardship as cooperative behaviour required for latent / intrinsic managers (Davis et al., 1997) and are subject to a set of monetary and non-monetary motives (Muth and Donaldson, 1998).

The stewardship theory is more preferable to the NEDs due to the believe that, the stewardship theory produces more accurate performance on the company than the NEDs. According to the theory of stewardship, with fewer executive directors, it is argued that the board have reduced an overview of the status and progress of society and so dependent on the information provided by management, with little or no background knowledge to make independent decisions recommendations of the managers.

2.3.3 The Resources Dependence Theory

The theory of resource dependence is more materialistic and less focused on organization. It refers to access to business resources, such as expertise and capital. Pfeffer (1973) asserted in the view of the theory of resource dependency, corporate governance structures, like the board affect businesses access to essential resources for the operation of the company. The theory of resource dependency specifically favours the board composition with a large NEDs membership (Haniffa and Cooke, 2002; Haniffa and Hudaib 2006).

The theory of resource dependency estimates that the operating environment of the company is reflected in the structure of its Board of Directors (Hillman et al., 2000; Pfeffer 1972). This implies that directors are chosen for their ability to provide access to the necessary resources. Therefore, it should be possible to identify the organizational dependencies of the Board composition; for example, the presence of the Financial Board of Directors proposes that companies seeking access to cheap capital, from which we can deduce that plan big investments or are in financial difficulties (Hillman, et al., 2000). Usually, a board with several members with links to various external resources can be expected to have better access to these resources, improving business performance and value.

2.3.4 Stakeholder Theory

Companies have multiple stakeholders whose needs have to be covered by its existence. Freeman (1984) identifies and models the groups that are interested in a company, and both describes and recommends methods by which management can give due consideration to the interests of these groups. According to Mallin (2013), the stakeholder theory allows a greater number of components rather than focus on shareholders. One consequence of focus on shareholders is that the improvement of the net value is paramount, whereas when a wider range of stakeholders such as employees, suppliers, customers, government bodies and local community groups and are taken into account, the primary objective of shareholder value becomes less obvious. In the traditional view of the company, the shareholders are business owners, and the company has a fiduciary obligation to put their needs first, to increase the value for them. Stakeholder theory argues that there are other stakeholders, including employees, customers, suppliers, financiers, communities, government agencies, political groups, professional associations. The promoter of the stakeholder theory advocates that the representatives of the various stakeholders on the board of companies will meet their demands (Ping et al., 2011).

2.4 Empirical Evidence

There were mixed results achieved by previous studies on the relationship between corporate governance mechanisms and financial performance of companies. Uadiale (2010) examined the impact of the structure of the Board on the financial results of the company in Nigeria using ordinary least square regression model. Four characteristics of the Board (the composition of the Board, the board size, ownership and CEO duality) were defined as independent variables. The study found that the existence of a strong positive association between board size, external directors on the board of directors and financial performance of the company. In addition, the study found a negative association between the return on invested capital (RE) and CEO of duality. Also, Aldamen et al. (2011) conducted a study on the effect of audit committees of the characteristics and performance of the company during the global financial crisis. The researchers used logit model with a sample of 120 companies listed on the S & P300 during the period between 2008 and 2009. It was revealed that company with smaller audit committees with more experience and financial knowledge has significant effect on the development of positive market activity whiles the longer serving chairs of audit committee negatively affect accounting performance of a company.

Again, Najjar (2012) examined the impact of corporate governance mechanisms on the business performance of the insurance industry in Bahrain from 2005 to 2010, using a mixed method approach for five insurance companies listed on Bahrain Stock Exchange for the year 2005-2010. The study conclude that, there is a statistically significant impact of corporate governance expressed by the chief executive of state, concentration of ownership, number of employees, industry performance and the number of shares traded on the performance

of the company in the insurance sector. The board size, size of the company, the number of holders of shares was also found to have a statistically significant effect on the performance of the business in the insurance sector. In similar vein, David et al. (2013) conducted a study on the effects of corporate governance on the financial performance of listed insurance companies in Kenya. It was also revealed that the size of the board, the composition of the board has a negative impact on the financial performance of the insurance companies listed on the NSE. It was also found that the separation of the role of CEO and President positively influenced the financial performance of listed insurance companies in Kenya.

Similar study was done by Makokha (2014) on 49 insurance companies registered in Kenya. Using a descriptive research design and a multiple linear regression analysis, the study results showed that the corporate governance affect the financial performance of insurance companies in Kenya. While the financial performance of insurance companies in Kenya are strongly influenced by the composition of the, performance was not significantly influenced by the size of the board and the number of members of the risk committee. The study also revealed that there is statistically negative relationship between financial performance and corporate governance. In addition, Bonsai (2015) conducted a study on the impacts of corporate governance mechanism on the financial performance of insurers in Ethiopia using a mixed method approach covering the period of ten years from 2005 to 2014. It was revealed that the chief executive pay, qualifying educational administration, other management experience in business management and industry specific administrative experience has a significant positive effect on financial performance of insurers. Moreover, the board size and the presence of directors have statistically significant impact on financial performance of insurers. Contrary to the theoretical prediction of the frequency of meetings of the Board of Directors has no significant effect on the performance of insurers.

3. Research Methodology

3.1 Research Design and Sample Size

This study adopted a descriptive research design method. According to Copper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Therefore, the choice of the descriptive study design was based on the fact that the research was interested in the state of affairs already existing in the field in which no variable would be manipulated.

The data sources that the researcher considered are secondary and primary in respect of this research. As far as this study is concerned, the primary data were obtained by administering questionnaire to respondents with the help of (staff) colleagues in the industry. In the case of this study, secondary data for the research was collected by reviewing journals, articles, magazines, publications, internet etc. to gather historical perspectives of the research data from renowned authors and researchers with respect to the topic under study.

A random sampling technique was used to select five insurance companies namely, SIC Life, Vanguard Life, Vanguard Assurance, Star Assurance and Enterprise Life within the Kumasi Metropolis out of a target population of the entire customers and staff of insurance companies in Ghana, estimated at over two hundred thousand persons. A total sample size of 200, comprising 150 customers (15 from a firm) and 50 staff (5 from a firm and at least one board member inclusive) were administered with questionnaires designed for the subject matter under discussion.

3.2 Data Analysis

The data was first edited to detect and correct possible errors and omissions that occurred, to ensure consistency across respondents. The data was then coded so as to group the respondents into a limited number of categories. Using the Microsoft Excel software, the data were presented in tabular, graphical and narrative forms.

In other to estimate the relationship between corporate governance and firm performance, the Pearson product coefficient of correlation (r) was adopted. Pearson product coefficient of correlation (r) statistical formulae is used in analysing and interpreting responses connected with the main variables of the hypothesis. The Pearson product moment of correlation formulae is given as:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n(\sum x^2) - (\sum x)^2][n(\sum y^2) - (\sum y)^2]}} \quad (1)$$

From the formula:

n = number of options

x = points allocated to the options

y = number of responses from respondents

Where x and y are the variables being considered. The dependent variable is denoted as y while the independent variable is denoted as x .

However, the proxies for the financial performance of the insurance companies selected include the accounting measure of performance; return on equity (ROE) and return on asset (ROA) for the period 2013 – 2015.

4. Discussion of Results

4.1 Background of Respondents

This study sought after information that pertains to the background of the respondents who returned answered questionnaires administered to them for analysis. The background of the respondents provides the researcher a fair view of the demography of our respondents and their suitability in terms of their in-depth knowledge about the issues tabled for discussion.

A sample size of one hundred (100), comprising twenty-five staff (representing 25%) and seventy-five (representing 75% of respondents) customers from five selected insurance firms (SIC Life, Vanguard Life, Vanguard Assurance, Star Assurance and Enterprise Life) responded to the administered questionnaires using the non-probability sampling method of random sampling. This method ensured that representative sample of all the known elements of the population occur in the sample. Break down shown in Table 1 and 2.

The Age distribution were found to be both skew to the youthful, thus those below the age of 40 years which accounts for a cumulative value of 64.0% (30.0+34.0) which are mainly the working populace of Ghana and are the very active group of the population. Nevertheless, there was a fair representation of all age groups as shown on Table 4.2, with the exception of those below 20 years due to the fact that, most Ghanaian youth within this age are mainly in school and not gainfully employed in sectors like this that requires skilled and trained personnel. Moreover, in terms of gender distribution, the study was mostly based on men as they account for 63% (Staff – 18% and customer 45%) of the sample used while females also account for 37% (staff-7% and customers-30%) as also indicate on Table 2.

On the educational level of respondents for the study, it was found that, majority were those with tertiary certificates which accounts for 64% (staff-25% and customers 41%), followed by those with professional training constituting 17% (staff-2% and customers 15%) as shown on Table 3. This result is due to the fact that, the insurance companies requires highly learned individuals for their operations and on the customer front people with in- depth knowledge and understanding in risk management and investment mostly undertake insurance hence the results obtained.

In terms of the number of years, the study found that, majority has been with the company between 6- 10 years constituting 56%, (staff-14% and customer-42%), 14% has been with their firms for less than 5 years and 30% were associated with their respective firms for above 10 years. This shows the wide diversity in the respondents sample for the study as indicated in Table 4.

The position of the staff sampled from the insurance firms were found to be mainly middle level executive which forms majority of the workers. They accounted for 72% of the sample for the study followed by 7 respondents in the senior level executive accounting for 28% while there was no respondent for the lower level. This is due to the fact that, corporate governance has to do with mainly the middle and senior level executives of the insurance firms and hence it shows a fair representation of those who had knowledge of the subject. This is presented in Table 5.

4.2 Corporate Governance Structure Employed by the Insurance Firms

It is worth noting that, the companies were found to have different answers in response to the questions asked regarding the corporate governance of their respective firms. Responds from Enterprise life assurance indicated that, 'there is a well-structured corporate structure and officers are assigned to specific task, decision making is top-bottom approach and there is the shareholding body at the apex which put together the board of directors; whereas the management team includes the Managing Director, Financial Controller and head of marketing. Again, the sectional heads supervise the various sections and departments'. This however, contradicts the position of (Magdalena, 2012) who attributed the managerial and supervisory responsibilities of the firm solely to the board of directors.

On the part of Star Assurance, the response indicated that the framework of their corporate governance as 'Board of Directors, Executive Management, Senior Management, Middle Management and operations; others include Audit Committee and Internal Audit. The Board of Directors is the highest decision making body, followed by the management team with the Managing Director as the head and the line managers in that order. This is also in tune with the findings of (Jenson and Meckling, 1976) who placed the board of directors at top most part of the organizational hierarchy and charged it with only supervisory responsibilities.

Moreover, Vanguard Assurance responds indicate that, the corporate governance structure is made up of Board of Directors, Management Team headed by the CEO, Departmental Heads, branch managers and staff.

On the part of Vanguard Life, basically, the Board of Directors supervises the whole organization, followed by the Managing Director; then comes the line managers and their subordinates. Finally, in the case of

SIC Life, the corporate governance framework is one of a bureaucratic and well-structured line flow of authority running down from the Managing Director through the General Manager to several line managers who follow laid down procedures with minimal initiative and there is separation of ownership and control following a top-bottom approach.

4.3 Challenges of Corporate Governance Practice

When respondents were asked questions on the challenges that their firms encounter in its quest to ensure good corporate governance practices, the study finds that almost all the insurance companies are facing the same challenges, as elucidated below:

- Existence of several stakeholders,
- Difficulties in meeting stakeholders' needs and excess employee demands.
- Government interference and Passive Board
- Cultural practices which make managers employ family members and friends instead of going for the best.
- Inadequate coordination between departments poses a great challenge
- When the internal auditor reports directly to the board, it brings a lot of confusion.
- Non-cooperation of some management members and non-cooperation of shareholders.
- Non-congenial attitude of staff towards change.
- Lack of effective communication of Board's policies
- Communication gaps and inadequate facilities
- The practice of good corporate governance brings additional cost to the companies' expenditure.
- Some of the companies' practices are not fair and transparent
- Obey before complain kind of work.
- Internal office politics has taken center stage with very little emphasis on merit-based promotions
- It is always expensive attracting quality staff to fill the various corporate governance portfolios;
- Ensuring proper chain of command through the various levels of authority.

These challenges are directly in line with those for which Solomon (2010) sought to address through his recommendations of building panels, effective communication among stakeholders etc.

4.4 Effects of Corporate Governance on Staff and Efficient Service Delivery at the Insurance Firms

It was detected that various factors prevented the firms from ensuring the implementation of good corporate governance practices. On the part of SIC life, it was found that, factors such as intervention of many stakeholders, passive Board and weak labour union, government interference and the hindrances to free hand to operate professionally as well as less qualified people being employed who later found themselves in the helm of affairs, affects the company in general. These findings are also in line with those of (Fama and Jenson, 1983; Jensen and Meckling, 1976) who attribute corporate governance problems to stakeholder relationships and influences.

In the case of Enterprise life the factors includes Interference from stakeholders, sluggish implementation of well-thought out policies, the structure of the company itself and the inextricable ties with various strategic businesses with the company.

Star assurance also listed factors such as political factors (organizational policies), social factors, and attitude of employees, inadequate information, and non-involvement of staff in decision making, inadequate facilities and rigid organizational culture. Vanguard Life mentioned issues such as personal traits of individuals, misunderstanding between individuals, shareholders influence on BOD and individual selfish interest as the main challenges the company faces. However, Vanguard Assurance identified factors affecting its corporate governance such as poor communication, inability to abide by time schedules and non-disclosure and untimely information about corporate governance to staff of the firms inactions concerning good corporate governance as well as personal greed and ignoring shareholders.

In general terms the under listed were challenges that commonly run through all the companies corporate governance practices:

- Integrity and fairness regarding some transactions are poor.
- The challenges affect productivity and hinder growth
- The challenges destroy the motives for good corporate governance
- The non-disclosures prevent outsiders from understanding the company.
- The challenges do not ensure smooth implementation of corporate governance practices which in turn affect productivity
- The challenges make it difficult for the company to achieve its corporate goal.
- The challenges affect the attainment of full efficiency of the staff

- The challenges make it difficult to implement and adhere to good corporate governance practices

4.5 Extent to which Corporate Governance Disclosure Impacts on the Financial Performance

The response on the extent to which corporate governance impacts on financial performance was found to be positive. Respondents from the various insurance companies were of the view that the introduction of performance targets for department and individual staff, monitoring of management goals and achievements will positively increase production from year to year.

On the other hand, it was also recorded that, bad corporate governance disclosure has negatively affected financial performance. In certain instances employees have little or no understanding of the nature of governance; thereby resulting into unexpected changes with every change in the national government. Furthermore, since most employees are not privy to the corporate governance of the firm, it does not impact positively on the financial performance.

It was found that, most of the respondents (40% and 32%) do agreed that making internal and external corporate governance mechanism work better improves the financial performance of the firm. Other factors that help in governance include prohibitive or tight control on some related party transactions, as illustrated on Table 6.

4.5.1 Effect of Board Size on the Financial Performance of Insurance Companies

All factors measured for the effect of board size on the financial performance of the firms were highly agreed by the respondents. Majority of the respondents ranging from 36% to 56% were found to agree that the factors influence the performances as shown on Table 7. These factors indicate that, size of the board size has a strong influence on the financial bearings of the firms just as taking strategic matters and self-evaluation and reviews by the board also affects the performance of the firms. The position of respondents on this subject confirms that of Bopkin and Arko (2009) found the size of a company's board to have significant influence sustainable growth of organizational wealth.

4.5.2 Effect of Board Composition on the Financial Performance

Again the study discovered that, board composition also affects the performance of the insurance firms, as shown in Table 4.8. Respondents agreed that, factors such as the number of non-executive directors on the board and board composition affect the way the board communicates with stakeholders as well as the board selecting top executives and managing staff were all agreed on, by the respondents. However, the respondents were indifferent as to whether the board performs better when an expatriate sits on it. However, Abor and Adjasi (2007) opined that the existence of outside board members could bring about better supervision of decisions and help achieve results.

4.5.3 Effect of Chief Executive Officer (CEO) Duality on the Financial Performance of Insurance Companies

Duality of responsibilities of the CEO was indifferent by the respondents with majority of them being neutral. However, it was found out that, the role of the chairman of board and CEO were clearly defined and not vested in the same person was highly agreed upon by the respondents (Agree 36%, Strongly Agreed 28%) as shown on Table 4.8. Others including fixed tenure of the CEO, matching CEO salary to performance were also highly agreed. Nevertheless, it was strongly agreed among the respondents (Strongly agreed 32%, agreed 28%) that the monitoring role of the board is weaker when the CEO is also the chair of the board. Sheik and Wang (2012) however, observes that CEO duality can increase agency problem.

4.6 Component and Factor Analysis of Individual Factors Affecting various Insurance Companies Corporate Governance

In order to ascertain the influence of factors on the various performances of the companies, the study analyzed the various individual insurance firms to understand how each of the firms is differently influenced by the factors affecting their operations and corporate governance.

4.6.1 Factor Loadings Analysis for SIC Life

The principal component analysis needed to select the number of components for responses of the SIC Life indicates an approximately four components accounting for 86.3 percent of the variation in the data of respondents of SIC, although the fourth component did not meet the requirement of getting more than 1 for the eigenvalue. However, its proportion of 6.8 percent contributes in general terms to make the cumulative proportion up to the 86.3 percent is enough to include it into the model. However, the rest of the components were not factored into the model as their contribution is negligible for the factored analysis.

Considering the factor loadings on the four components extracted from the results, the study shows that, the most important factors that loads on component 1 were 'firm's internal management, regulations, policies and procedures, corporate culture and practices, The Board makes self-evaluation of its own performance, that of its Directors and of the Committees, BOD provides all staff with code of ethics, Make internal and external corporate governance mechanisms work better, enhance the standards of accounting,

auditing and disclosure. These six factors carried a variation of 23.9 percent and make it the major component to look into as agreed by the respondents, since they all have positive factor loadings. These were followed by those that fall under component 2 and accounts for 23.8 percent in the variation whereas only two factors and three factors were accounted for the third and fourth components respectively as shown on Table 10.

4.6.2 Factor Loadings Analysis on Vanguard Assurance Company Limited

In the case of Vanguard Assurance, only five components were selected and they all have Eigen values of more than 1 and contribute cumulatively 91.1 percent, the first component contributes 35.3 percent, the second, third, fourth and fifth contribute 23.4 percent, 14.2 percent, 10.1 percent and 8.1 percent respectively.

On the factor loadings, to find the most influenced factors that the respondents were aware of for affecting corporate governance, four factors were loaded on component 1, and component 2 respectively, whereas component 3, component 4 and component 5 were having loadings of 2 each respectively. It is also worth noting that, component 1 has all its loadings being negative values, indicating the opposite is rather true for contributing positively to corporate governance, for example Remuneration of directors disclosed has a loading of -0.963 which indicates that, disclosing the remuneration of directors affects the corporate governance as seen by the response in Table 11.

4.6.3 Factor Loadings Analysis Vanguard Life

Vanguard Life had five components that scored significant Eigen value of more than 1 to be included as a factor component, though the next Eigen value was 0.812, however, its proportion contribution was 5.8 percent, hence not included in the factors. In all, the cumulative variation accounted for by the five components was 88.0 percent.

On the factor loadings, four factors were loaded as very important and loaded on Component 1, Component 2 recorded 3 factors, whereas Component 3, Component 4 and Component 5 had 2, 2 and 3 respectively. It is also inspiring to note that, the loadings were both positive and negative on factor 1 indicating that while some factors' influence impact positively on corporate governance, others were negative (see Table 12).

4.6.4 Factor Loadings Analysis Star Assurance

On the part of Star Assurance, four components were assigned with Eigen values of more than 1, and contribute a cumulative of 92.3 percent; of the remaining components neither had enough Eigenvalue nor a significant contribution proportion. In terms of the most influencing factors of the corporate governance, component 1 and component 2 loadings recorded four factors each as influencing it with all their values being positive. In this case, Star Assurance factors were all positively influencing corporate governance as compared to the previous companies as exhibited in Table 13.

4.6.5 Factor Loadings Analysis of Enterprise Assurance

On the part of Enterprise assurance, five components have their Eigen values being more than 1 with a cumulative proportion of 90.9 percent, four factors measuring corporate governance fall under component 1 with both positive and negative values. The factors include the firm's internal management structure and board which had -0.706 showing that influence from the board may have negative impact on corporate governance; others were also disclosure of directors' remuneration, provision of code of ethics by BOD and prohibitive or tight control of some related party transactions which tends to have a positive impact on corporate governance. Four other factors were loaded on component 2 whereas only one factor was loaded on component 3 and component 5 respectively Table 14.

5. Summary of Key Findings and Recommendations

5.1 Summary of Key Findings

Corporate governance is essential in every corporate body to ensure smooth operations of the firms and also ensures transparency of the day to day activities of the firms in order to build up confidence of the stake holders of the firm. The study found that, the insurance firms use similar corporate governance structure in their firms which is normally a top-bottom approach headed by the Board of directors, followed by the Chief Executive officer, the Managing Director and other senior executives such as deputy directors for the various operations of the firms.

Also, the study observed that, the use of unqualified personnel to fill positions due to family ties, government interference and the lack of the opportunity of free hand to operate professionally undermines the effectiveness of corporate governance since most of these personnel employed under such circumstances do not follow the corporate governance structure of the company.

Again, across the various insurance companies, it was found that, similar factors such as provision of ethic codes from BOD, prohibiting and tight control of party transactions, firm's internal structure of management and board, the firm's internal management, regulations, policies and procedures and ownership structure of the firm tend to be the most important factors with positive influences on corporate governance and mostly falls either on component 1 or component 2, whereas some factors which includes disclosure of directors

remuneration, announcement of amount and basis on dividend policy also tends to have a negative influence.

More so, it was observed that, disclosure of the corporate governance has a positive influence on the performance of the firms and vice versa. The various insurance firms' results showed that the introduction of target for department and staff, monitoring of management goals and achievements, positively increase production from year to year if all dealings followed the corporate governance structure of the firm.

5.2 Recommendations

Based on the findings of the survey, the following recommendations were made to help the firms to build a better corporate governance to increase productivity and the overall standing of the insurance firms.

It is recommended that the firms adopt fair practices that would ensure that the corporate governance framework would protect and facilitate the exercise of shareholders rights. All shareholders should have the opportunity to obtain effective redress for violation of their rights. Also, the shareholder should be able to exercise rights such as securing methods of ownership registration; convey or transfer shares; obtain relevant and material information on the firm on a timely and regular basis; participate and vote in general shareholder meetings; elect and remove members of the board; and share in the profits of the firm.

Also, Board of Directors and management of corporate bodies should be able to inspire employees and other stakeholders to walk within principles of good governance since several problems associated with corporate governance are as a result of disconnects between stakeholders. BOD should further ensure the provision of strategic guidance of the firm, effective monitoring of management, and the board's accountability to the firm and the shareholders.

Additionally, in order to improve the performance of its members, the BOD should engage in training and voluntary evaluation. The evaluation of the BOD can be supported by external facilitators to increase objectivity.

More so, in order to avoid groupthink and bring a diversity of thought to board discussion, the BOD should consider if collectively members possess the right mix of background and competences.

It is finally recommended that measurable performance targets should be established for executive officers (including the CEO), regularly assess and evaluate their performance against them and tie compensation to performance.

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Table 1: Respondents Distribution

Firms	Staff		Customer		Total	
	Male	Female	Male	Female	Male	Female
SIC Life	3	2	5	10	8	12
Vanguard Life	5	0	8	7	13	7
Vanguard Assurance	4	1	9	6	13	7
Star Assurance	3	2	11	4	14	6
Enterprise Life	3	2	12	3	15	5
Total	18(18%)	7(7%)	45(45%)	30(30%)	63(63%)	37(37%)

Source: Field Survey, 2016

Table 2: Age and Gender of Respondents

Years of Respondents	Staff		Customer		Total
	Male	Female	Male	Female	
Below 20 years	0	0	0	0	0(0%)
20 – 30 years	3	1	15	11	30(30%)
31 – 40 years	10	3	14	7	34(34%)
41 – 50 years	3	3	10	8	24(24%)
51 – 60 years	2	0	6	4	12(12%)
Total	18(18%)	7(7%)	45(45%)	30(30%)	100(100%)

Source: Field Survey, 2016

Table 3: Educational Level of Respondents

Education Level	Staff		Customer		Total
	Male	Female	Male	Female	
Tertiary	17	6	28	13	64(64%)
Diploma	0	0	4	8	12(12%)
Secondary/Technical	0	0	5	2	7(7%)
Professional	1	1	8	7	17(17%)
Basic	0	0	0	0	0(0%)
TOTAL	18(18%)	7(7%)	45(45%)	30(30%)	100(100%)

Source: Field Survey, 2016

Table 4: Number of Years with Respondents Have with Their Firms

Years with Company	Staff		Customer		Total
	Male	Female	Male	Female	
Less than 5 years	1	1	4	8	14(14%)
Between 6 - 10 years	11	3	28	14	56(56%)
Above 10 years	6	3	13	8	30(30%)
TOTAL	18(18%)	7(7%)	45(45%)	30(30%)	100(100%)

Source: Field Survey, 2016

Table 5: Job Positions of Staff Respondents

Current Position	Male	Female	Total
Lower Level	0	0	0(0%)
Middle Level	13	5	18(72%)
Senior Level	5	2	7(28%)
TOTAL	18(72%)	7(28%)	25(100%)

Source: Field Survey, 2016

Table 6: Extent to which Corporate Governance Disclosure Impacts on the Financial Performance

Model Measurement for Corporate Governance Disclosure impacts on Financial Performance	Modal Frequency of Responds				
	1	2	3	4	5
Make internal and external corporate governance mechanisms work better	4%	8%	16%	40%	32%
Enhance the standards of accounting, auditing and disclosure	4%	8%	24%	32%	32%
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	8%	8%	36%	44%	4%
Giving audit committee greater power to investigate financial reports	8%	16%	4%	48%	24%

Source: Field Survey, 2016

Table 7: Effect of Board Size on the Financial Performance of Insurance Companies

Effect of Board Size on the Financial Performance of Insurance Companies	Modal Frequency of Responds				
	1	2	3	4	5
Size of the board affects the financial performance of insurance companies	24%	12%	12%	40%	12%
The board meets regularly during the year to review financial performance and operations of the company.	16%	12%	16%	40%	16%
The board considers strategic matters and other issues that impact on the company's performance	0%	20%	8%	44%	28%
Dialogue and meetings between the board and senior management are held outside formal board meetings.	4%	32%	16%	36%	12%
Board members usually avail themselves to support management on areas of their expertise.	4%	12%	32%	48%	4%
The board is effective at monitoring senior management	0%	16%	16%	56%	12%
The board undertakes self-evaluation and review of its performance	0%	12%	20%	48%	20%

Source: Field Survey, 2016

Table 8: Rating the Effects of Board Composition on the Financial Performance of Insurance Companies

Rating the Effects of Board Composition on the Financial Performance of Insurance Companies	Modal Frequency of Responds				
	1	2	3	4	5
Board composition affects the financial performance of a firm	4%	0%	24%	52%	20%
Board composition affects the way the board communicates with other stakeholders	4%	4%	20%	56%	16%
The number of non-executive directors on the board affects the performance of the insurance Companies	4%	16%	20%	44%	16%
Outside directors are better able to challenge and discipline the CEO and management	4%	28%	32%	32%	4%
Boards composed of directors with good mix of skills, experience and competences can take the business to greater heights	4%	8%	32%	40%	16%
The board should be responsible for selecting top management staff	8%	12%	32%	40%	8%
Boards perform better where expatriates sit on them	8%	8%	32%	36%	8%

Source: Field Survey, 2016

Table 9: Rating the effects of CEO Duality on the Financial Performance of Insurance Companies

Rating the effects of CEO Duality on the Financial Performance of Insurance Companies	Modal Frequency of Responds				
	1	2	3	4	5
Roles of Chairman of Board and CEO should be clearly defined and not vested in the same person	4%	8%	24%	36%	28%
CEO tenure should be fixed	8%	8%	20%	44%	16%
CEO salary should be linked to performance of the firm	8%	20%	24%	36%	12%
The monitoring role of board is weaker when the CEO is also Chair	12%	20%	8%	28%	32%

Source: Field Survey, 2016

Table 10: Principal Component and Factor Analysis for Corporate Governance in SIC Life

Principal Component Analysis:

Eigen analysis of the Correlation Matrix

Eigen value	7.038	2.585	1.508	0.947	0.682	0.568	0.380	0.154
Proportion	0.503	0.185	0.108	0.068	0.049	0.041	0.027	0.011
Cumulative	0.503	0.687	0.795	0.863	0.911	0.952	0.979	0.990
Eigen value	0.096	0.044	0.000	0.000	0.000	0.000		
Proportion	0.007	0.003	0.000	0.000	0.000	0.000		
Cumulative	0.997	1.000	1.000	1.000	1.000	1.000		

Rotated Factor Loadings under Equamax Rotation

Variable	Comp 1	Comp 2	Comp 3	Comp 4
Firm's internal management structure and board	0.051	0.078	0.578	-0.695
Firm's internal management, regulations, policies and procedures.	0.708	-0.093	-0.092	-0.514
Ownership structure of the firm	0.115	-0.083	-0.083	-0.931
Code of best practices of Corporate Governance	0.071	0.168	0.422	0.787
Corporate Culture and practices	0.648	-0.405	-0.341	-0.39
The Board makes self-evaluation of its own performance, that of its Directors and of the Committees	0.683	-0.442	-0.415	-0.079
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	0.384	-0.216	-0.816	-0.186
Remuneration of directors disclosed	0.084	-0.908	-0.352	-0.065
In dividend policy, the amount and basis of dividend should be announced	0.274	-0.904	0.16	-0.072
BOD provides all staff with code of ethics	0.813	0.003	-0.254	0.007
Make internal and external corporate governance mechanisms work better	0.648	-0.405	-0.341	-0.39
Enhance the standards of accounting , auditing and disclosure	0.683	-0.442	-0.415	-0.079
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	0.384	-0.216	-0.816	-0.186
Giving audit committee greater power to investigate financial reports	0.084	-0.908	-0.352	0.065
Variance	3.34	3.328	2.773	2.636
% Var	0.239	0.238	0.198	0.188

Source: Field Survey, 2016

Table 11: Principal Component and Factor Analysis for Corporate Governance in Vanguard Assurance

Principal Component Analysis:

Eigen analysis of the Correlation Matrix

Eigen value	4.944	3.276	1.993	1.414	1.129	0.460	0.414	0.222
Proportion	0.353	0.234	0.142	0.101	0.081	0.033	0.030	0.016
Cumulative	0.353	0.587	0.729	0.830	0.911	0.944	0.974	0.989
Eigen value	0.144	0.005	0.000	0.000	0.000	0.000		
Proportion	0.010	0.000	0.000	0.000	0.000	0.000		
Cumulative	1.000	1.000	1.000	1.000	1.000	1.000		

Rotated Factor Loadings with Equamax Rotation

Variable	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Firm's internal management structure and board	0.242	-0.787	-0.178	0.102	-0.437
Firm's internal management, regulations, policies and procedures.	0.062	-0.157	0.239	0.112	-0.880
Ownership structure of the firm	0.150	-0.742	0.111	-0.068	-0.476
Code of best practices of Corporate Governance	0.189	-0.019	0.138	-0.331	-0.812
Corporate Culture and practices	0.059	-0.833	0.491	0.149	0.042
The Board makes self-evaluation of its own performance, that of its Directors and of the Committees	0.018	-0.086	0.149	0.969	0.058
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	-0.006	-0.129	0.952	0.135	-0.197
Remuneration of directors disclosed	-0.963	0.138	-0.060	-0.102	0.095
In dividend policy, the amount and basis of dividend should be announced	-0.858	0.033	0.117	0.249	0.229
BOD provides all staff with code of ethics	-0.499	0.476	0.003	0.454	0.113
Make internal and external corporate governance mechanisms work better	0.059	-0.833	0.491	0.149	0.042
Enhance the standards of accounting, auditing and disclosure	0.018	-0.086	0.149	0.969	0.058
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	-0.006	-0.129	0.952	0.135	-0.197
Giving audit committee greater power to investigate financial reports	-0.963	0.138	-0.060	-0.102	0.095
Variance	2.976	2.898	2.481	2.385	2.023
% Var	0.212	0.207	0.177	0.170	0.145

Source: Field Survey, 2016

Table 12: Principal Component and Factor Analysis for Corporate Governance in Vanguard Life

Principal Component Analysis:

Eigen analysis of the Correlation Matrix

Eigen value	5.450	2.574	1.816	1.286	1.198	0.812	0.506	0.262
Proportion	0.389	0.184	0.130	0.092	0.086	0.058	0.036	0.019
Cumulative	0.389	0.573	0.703	0.795	0.88	0.938	0.974	0.993
Eigen value	0.080	0.016	0.000	0.000	0.000	0.000		
Proportion	0.006	0.001	0.000	0.000	0.000	0.000		
Cumulative	0.999	1.000	1.000	1.000	1.000	1.000		

Rotated Factor Loadings with Equamax Rotation

Variable	Comp1	Comp 2	Comp 3	Comp 4	Comp 5
Firm's internal management structure and board	0.054	0.347	-0.049	-0.078	0.044
Firm's internal management, regulations, policies and procedures.	0.073	0.064	0.205	0.034	0.912
Ownership structure of the firm	-0.509	0.011	-0.121	-0.239	0.624
Code of best practices of Corporate Governance	-0.817	0.346	0.128	0.178	-0.149
Corporate Culture and practices	0.024	-0.100	0.138	0.980	0.019
The Board makes self-evaluation of its own performance, that of its Directors and of the Committees	0.087	-0.122	0.968	0.146	0.088
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	0.223	-0.882	0.158	0.149	-0.137
Remuneration of directors disclosed	0.700	-0.442	0.227	0.029	-0.231
In dividend policy, the amount and basis of dividend should be announced	0.811	-0.109	0.351	0.281	0.086
BOD provides all staff with code of ethics	0.143	0.301	0.066	0.201	0.728
Make internal and external corporate governance mechanisms work better	0.024	-0.100	0.138	0.980	0.019
Enhance the standards of accounting, auditing and disclosure	0.087	-0.122	0.968	0.146	0.088
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	0.223	-0.882	0.158	0.149	-0.137
Giving audit committee greater power to investigate financial reports	0.700	-0.442	0.227	0.029	-0.231
Variance	2.709	2.345	2.268	2.224	1.944
% Var	0.194	0.168	0.162	0.159	0.139

Source: Field Survey, 2016

Table 13: Principal Component and Factor Analysis for Corporate Governance in Star Assurance

Principal Component Analysis:								
Eigen analysis of the Correlation Matrix								
Eigen value	6.681	2.967	2.108	1.166	0.442	0.317	0.170	0.107
Proportion	0.477	0.212	0.151	0.083	0.032	0.023	0.012	0.008
Cumulative	0.477	0.689	0.841	0.923	0.955	0.977	0.989	0.997
Eigen value	0.040	0.002	0.000	0.000	0.000	0.000		
Proportion	0.003	0.001	0.000	0.000	0.000	0.000		
Cumulative	1.000	1.000	1.000	1.000	1.000	1.000		
Rotated Factor Loadings with Equamax Rotation								
Variable	Comp 1	Comp 2	Comp 3	Comp 4				
Firm's internal management structure and board	0.829	0.295	0.216	-0.081				
Firm's internal management, regulations, policies and procedures.	0.693	0.317	0.533	0.151				
Ownership structure of the firm	0.796	-0.125	0.037	0.54				
Code of best practices of Corporate Governance	0.603	0.109	0.695	-0.070				
Corporate Culture and practices	0.743	0.037	0.539	-0.161				
The Board makes self-evaluation of its own performance, that of its Directors and of the Committees	-0.037	0.123	0.005	0.982				
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	0.167	0.165	0.965	0.046				
Remuneration of directors disclosed	0.383	0.839	0.257	0.156				
In dividend policy, the amount and basis of dividend should be announced	0.080	0.957	0.118	0.140				
BOD provides all staff with code of ethics	-0.291	0.895	-0.022	-0.014				
Make internal and external corporate governance mechanisms work better	0.743	0.037	0.539	-0.161				
Enhance the standards of accounting , auditing and disclosure	-0.037	0.123	0.005	0.982				
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	0.167	0.165	0.965	0.046				
Giving audit committee greater power to investigate financial reports	0.383	0.839	0.257	0.156				
Variance	3.712	3.426	3.404	2.380				
% Var	0.265	0.245	0.243	0.170				

Source: Field Survey, 2016

Table 14: Principal Component and Factor Analysis for Corporate Governance in Enterprise Assurance

Principal Component Analysis:

Eigen analysis of the Correlation Matrix

Eigen value	4.820	2.948	2.025	1.769	1.163	0.530	0.400	0.176
Proportion	0.344	0.211	0.145	0.126	0.083	0.038	0.029	0.013
Cumulative	0.344	0.555	0.699	0.826	0.909	0.947	0.975	0.988
Eigen value	0.141	0.027	0.000	0.000	0.000	0.000		
Proportion	0.010	0.002	0.000	0.000	0.000	0.000		
Cumulative	0.998	1.000	1.000	1.000	1.000	1.000		

Rotated Factor Loadings with Equamax Rotation

Variable	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Firm's internal management structure and board	-0.706	0.162	-0.144	0.072	-0.476
Firm's internal management, regulations, policies and procedures.	-0.258	-0.249	0.218	-0.671	-0.438
Ownership structure of the firm	-0.002	0.172	-0.038	-0.013	-0.907
Code of best practices of Corporate Governance	0.456	0.304	0.671	0.261	-0.244
Corporate Culture and practices	0.132	-0.095	0.933	-0.234	0.108
The Board makes self-evaluation of its own performance, that of its Directors and of the Committees	0.326	-0.053	0.131	-0.907	0.044
The remuneration of BOD and/or Senior Management reviewed by shareholders annually	0.868	0.066	0.298	-0.256	0.036
Remuneration of directors disclosed	-0.031	-0.932	0.169	-0.166	0.211
In dividend policy, the amount and basis of dividend should be announced	0.153	-0.849	-0.374	0.106	-0.174
BOD provides all staff with code of ethics	0.685	-0.270	-0.228	-0.338	-0.412
Make internal and external corporate governance mechanisms work better	0.132	-0.095	0.933	-0.234	0.108
Enhance the standards of accounting , auditing and disclosure	0.326	-0.053	0.131	-0.907	0.044
Prohibit or tight control some related-party transactions (lending to directors, cross-guarantees of repayments)	0.868	0.066	0.298	-0.256	0.036
Giving audit committee greater power to investigate financial reports	-0.031	-0.932	0.169	-0.166	0.211
Variance	3.019	2.774	2.723	2.590	1.6191
% Var	0.216	0.198	0.194	0.185	0.116

Source: Field Survey, 2016