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Equity Financing and Financial Performance of Listed Insurance Companies in Nigeria

¹Okereke, Livinus C., ²Nmehielle, Collins O., ³Ihenacho, Uchechukwu O., & ⁴Akpelu, Azunna E.

¹Department of Accountancy, Alvan Federal University of Education, Owerri – Imo State, ²Department of Accounting, Ignatius Ajuru University of Education, Port-Harcount – Rivers State ³Department of Business Education, Alvan Federal University of Education, Owerri – Imo State, ⁴Department of Accountancy, Imo State Polytechnic, Owerri - Imo State

Abstract

his study investigated the effect of equity financing on financial performance of listed insurance companies in Nigeria. The objectives of the study were to ascertain; the effect of share capital, and retained earnings on return on investments of listed insurance companies in Nigeria. The population of this study was made up of fifteen (15) listed insurance companies in Nigeria. This study utilizes judgmental (purposive) sampling technique in selecting sample size due to availability and completeness of the secondary data. 10 insurance companies were selected and a sample period included eight (8) years, and total panel observation was eighty (80) spanning through from 2015 to 2022. The data for this study were sourced from the published annual reports and accounts of sampled insurance companies on the Nigeria Stock Exchange Group. The study utilized descriptive statistics, unit root test, correlation, and panel ordinary least square regression statistical techniques were used for the data analyses. The result of the study disclosed that; the effect of share capital on return on investments of listed insurance companies in Nigeria is positive and statistically significant, the effect of retained earnings on return on investments of listed insurance companies in Nigeria is positive and statistically not significant. Based on this finding, this study generally concludes that the effect of equity financing on financial performance of listed insurance companies in Nigeria is positive and not significant for the period spanning from 2015 - 2022. The study recommended amongst others that management of insurance companies should implement policies that will encourage and maintain retained earnings in the capital structure that facilitates financial performance.

Keywords: *Equity, Financial performance, Insurance companies.*

Corresponding Author: Okereke, Livinus C.

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Background to the Study

Equity financing is regarded as the issuance of share units to new and existing investors so as to maintain the organizational activities. Equity financing arises when a firm raises funds through selling shares units to the potential shareholders and investors (Achieng et al., 2018; Aziz & Abbas, 2019). The research investigation carried out by Nguyen and Rugman, (2015) affirmed that equity financing includes the number of profits retained and ploughed back into business, contributions by members, angel investors and crowd funding. According to Onuorah and Nkwazema (2016), that equity financing is an integral component of the capital structure of the firm apart from debts. The relatively low level of risk related to equity financing as opposed to debt financing has resulted into an increased recognition and use of equities in financing investment projects in organizations. The shareholders share in the share capital of a company which includes stock that attaches various rights and liabilities (Frank & Goyal, 2018; Fosu, 2019; Addae et al., 2020; Zeitun & Tian, 2017) Share, debentures or other interest of any member in a company are movable property. Abdikadir (2020) suggested that retained earnings are measured by the ratio of change in retained earnings divided by total assets. According to Akinkoye and Akinadewo (2018), that financial performance of the firm can be significantly influenced by the retained profits. There are lot of research works been done on determinants of the level of retained earnings of enterprises. Consequently, Pham, (2020) affirmed that determinants of retained earnings are those factors that cause the firm's retained earnings to increase or decrease. The firm characteristics such as firm size, assets tangibility, profitability, dividend payout, leverage, growth opportunities, and business risk and managerial discretion (Sanusi et al., 2020; Berger & Patti, 2016; Modigliani & Miller, 1958; Wahome, 2015).

The firms' financial performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction (Aymen, 2018; Iavorskyi, 2018). Financial performance is characterized as the company's ability to generate new resources, from day-today operations over a given period of time and it is gauged by net income and cash from operations (Chimaleni et al., 2015). A sound financial performance enables firms to manage credit risk, interest rate risk, liquidity risk, market risk, foreign exchange risk and solvency risk (Chechet & Olayiwola, 2014). Therefore, this research study was designed to investigate the moderating relationship between board structure on the effect of equity financing and financial performance of listed insurance companies in the Nigeria.

Statement of the Problem

Majority of companies experiencing financing difficulties due financial crisis that hit most parts of the world including Nigeria. Management of these companies was concerned with whether the company's financing decisions affected their financial performance and especially at that time when majority of the companies were facing financial crisis. Similarly, majority of the studies used measures of profitability; return on assets, return on equity, and others to proxy for financial performance and failed to come up with a unique measure of financial performance, which generated mixed results. The components of financial structure include leverage, liquidity and equity, liquidity being current assets minus current liabilities. Majority of studies investigating the effect of financial structure on performance have investigated individual components of financial structure at a time and therefore failing to link all the components of financial structure and their effect on financial performance in one study. Studies done so far, for instance, focused on the effect of financial structure on performance alone Oladeji et al (2015), Abdul (2017), Ogebe et al (2019), Ibrahim (2019), Mutua and Atheru (2020), Perri (2022), and measured financial performance as return on assets and returns on equity.

Research studies carried out by Salim and Yadav (2018), San and Heng (2011), Nurlaela et al (2019), investigated the effect of financial structure on return on assets while, Edet et al (2017), Mercilina and Nyor and Yunusa (2016), studied the direct effect of capital structure on firm's profitability. Musah, (2017) investigated the impact of equity management on profitability. The existing literature in Nigeria lacked specific studies that investigate the effect of equity financing on financial performance of listed insurance companies in Nigeria.

Conceptual Framework



Fig. 1: A Conceptual frame work showing the effect of equity financing on financial performance of listed insurance companies in Nigeria.

Sources: Dimensions adapted from Mutua and Atheru (2020) and Perri, (2022)

Aim and Objectives of the Study

The broad aim of this research study was to ascertain the effect of equity financing on financial performance of listed insurance companies in Nigeria. Specifically, the study sought to

- i. Ascertain the effect of share capital on return on investments of listed insurance companies in Nigeria.
- ii. Ascertain the effect of retained earnings on return on investments of listed insurance companies in Nigeria.

Research Questions

This study is guided by the following research questions

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- i. What is the effect of share capital on return on investments of listed insurance companies in Nigeria?
- ii. What is the effect of retained earnings on return on investments of listed insurance companies in Nigeria?

Hypotheses

This study is guided by the following null hypotheses

- H_{01} The effect of share capital on return on investments of listed insurance companies in Nigeria is not significant,
- $\mathbf{H}_{_{02}}$ The effect of retained earnings on return on investments of listed insurance companies in Nigeria is not significant,

Review of Related Literature

Equity Financing

Equity financing is usually in form of monies acquired from the business owners and from other investors or in form of reserves attributable to the owners of the entity other than amounts directly contributed by the owners' which could be in form of retained earnings, common stock or preferred stock (Bingilar & Kpolode, 2021). "The research established by Aniefor and Onatuyeh, (2019) opined that equity to include paid-up share capital, share premium, reserves and retained earnings. It is a navigable instrument in the theory of finance that enables the holders to have influence and supervise managerial decisions through the board of directors (Noor & Simiyu, 2020). According to Lilian et al (2020), equity financing is described as the difference between assets and liabilities of the business. Funds from personal savings or even the sale of personal assets is the main source of equity financing. Equity financing also established as where individuals invest their personal funds into their businesses (Githire & Muturi, 2015). The organizations that rely solely on equity are being regarded as unleveraged. Njagi et al, (2017) suggested that most of the large firms are depend on leverage as bank credit which served as a predominant source of financing and the equity market has an insignificant role in meeting financing needs of firms compared to the total amount of bank credit issued. It is of interest to note that deposit money banks in Nigeria had access to the stock market before the 2008 financial crisis to raise fund, but since the incidence, it has become increasingly difficult to rise fresh equity, thereby either relying on old equity such as resulting to retained earnings or even rise from the private placement. However, due to moral hazard and problem with information asymmetry then insurance companies at the startup stage tend to use personal savings and equity or shareholders' funds. The insurance companies tend to seek for alternative sources of finance in order to grow and develop (Aziz & Abba, 2019). The research investigation carried out by Njagi et al, (2017) affirmed that equity financing is regarded as the issuance of share units to new and existing investors so as to maintain the organizational activities. Equity financing arises when a firm raises funds through selling shares units to the potential shareholders and investors. Equity financing is different from other tools of debt financing because it needs no collateral but rather it is dependent on the ability to create value by growing enterprises.

Share Capital

Every company limited by shares must have a share capital. Share capital of a company is characterized as the amount invested in the company for it to carry out its operations. The share capital may be altered or increased, subject to certain conditions (Sanusi et al., 2020; Berger & Patti, 2016). Shares are simply conceptualized as the interest of a shareholder in the company, measured for the purposes of liability and dividend (Nasimi, 2021; Modigliani & Miller, 1958; Wahome, 2015). The shareholders share in the share capital of a company which includes stock that attaches various rights and liabilities (Frank & Goyal 2018; Fosu, 2019; Leon, 2016; Addae et al., 2020; Zeitun & Tian, 2017; Nasimi & Nasimi, 2018). Studies have shown that shares or other interest of any member in a company shall be movable property. This can be transferable in any manner provided for in the articles of association of the company (Segun et al., 2021; Le & Phan, 2017). A member can transfer any other interest in the company in the manner provided in the articles (Gathara et al., 2019). The difference in voting rights can be achieved by reducing the degree of voting power. It is ideal for long term investors, typically small investors who seek higher dividend and are not necessarily interested in taking a voting position (Berger & Patti, 2016; Anton & Nucu, 2021; Pham & Nguyen, 2020). For example, rights attached to a member in a guarantee company such as membership interest, suspension of membership or assignment of interest may be made transferable by making a provision in the Articles of the company (Muhammad, 2019; Nwude & Anyalechi, 2018; Petrů & Tomášková, 2020). The research study explored by Sanusi et al, (2020) reported that equity share capital with reference to any company limited by shares means all share capital which is not preference share capital. As per section 43 (a) equity share capital may be divided on the basis of voting rights and differential rights (DVR) as to dividend, voting rights or otherwise according to the rules. A DVR share is like an ordinary equity share, but it provides fewer voting rights to the shareholder.

Retained Earnings

The term retained earnings are conceptualized as the portion of net profit after tax which is kept by the firm instead of distributing it to its owners as dividends (Yemi & Seriki, 2018). According to Ezeagba et al (2022), retained earnings are characterized as the income that the firm retained for investment in its operations and therefore not paid out as dividends. These retained earnings add to stockholders' ownership of the company's net asset (Vătavu, 2015). The research work established by Abdikadir, (2020) suggested that retained earnings are measured by the ratio of change in retained earnings divided by total assets. Akinkoye and Akinadewo, (2018) in their research investigation affirmed that the value or financial performance of the firm can be significantly influenced by the retained profits.

Chimaleni et al, (2015) highlighted that firm characteristic such as firm size, assets tangibility, profitability, dividend payout, leverage, growth opportunities, and business risk and managerial discretion are the major determinants factors retained earnings which elaborated as follows:

i. The Firm Size This is described as the natural logarithm of total assets. Hafiz et al, (2018) disclosed that the size of the firm has a significant influence on the level of cash

holdings. Yazdanfar and Ohman, (2019) reported that there exists a positive relation between size and cash holdings because larger enterprises have a reduced amount of information asymmetry and as a result, more financial policies flexibility and hence more level of cash holdings. Abdullah and Tursoy, (2021) contended that larger companies lean toward greater cash holdings since they have more latitude than smaller companies in their investment and financial decision making. The firm size can be measured by the natural logarithm of total assets.

- **ii. Dividend Payout** This is measured by dividends per share divided by earnings per share. Firms that pay dividends are expected to retain fewer amounts of their net incomes than firms that do not pay dividends (Nguyen & Nguyen, 2020; Pham, 2020). The studies conducted by Edom and Aganyi, (2015) cited in John et al, (2018) discovered a negative relationship between dividend policy and cash holdings. The findings of their studies were in support of Kenduiwo, (2014); Hafiz et al, (2018); Peter, (2015) whose study depicted that trade-off theory shown negative relationship between dividend payment and cash holdings. The enterprises can trade off the costs of retaining cash by decreasing dividend payments to shareholders. Chimaleni et al, (2015) in a research study found that dividend policy was a significant determinant of cash holdings.
- iii. Leverage This is regarded as the ratio of total debt to total assets. Pecking order theory and trade-off theory both predict a negative relationship between leverage and internal cash reserves. The research investigated by Singh and Bagga, (2019) observed that under the pecking order theory, those enterprises that keep a large amount of cash use it to pay off outstanding debt. Akinkoye and Akinadewo, (2018) in their study found that leverage had a significant negative impact on cash balances. Iqbal et al, (2015) in his study also found a strong similar evidence that leverage impacted negatively on cash balances. Tailab, (2014) noted that leverage are expected to retain more cash in order to reduce the chances of experiencing financial distress.
- iv. Managerial Discretion This is characterized as latent characteristic representing multiple dimensions of corporate governance that affect managers' ability to act in their self-interest. Some proxies which can be used to measure the managerial discretion have been identified and include CEO-chairman duality, and board size. The saving ratio of companies depends on the type, size and industry of the company. For example, large companies have a higher saving ratio than small companies. Chimaleni et al, (2015) expressed that retained earnings are a major source of finance for growth of companies. This is so because there is no transaction or bankruptcy cost associated with retained profits. The potential growth opportunities of a firm necessitate a greater demand for internally generated funds.

Financial Performance

This is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current

assets, financing, equity, revenues and expenses (Nurlaela et al, 2019; Musah, 2017; Mercilina & Gina, 2018). The main purpose of financial performance is to provide complete information to shareholders and stakeholders to encourage them in making decisions (Nyor & Yunusa, 2016). This can be used to evaluate similar companies from the same industry or to compare industries in aggregation (Lucy et al., 2014). It is used for managing risk and increasing profitability of a firm within the corporate governance compliance. It served as an essence of making good decisions (San & Heng, 2011). The key performance indicators chosen to measure performance of companies depend on the interest and justification of the analyst (Adekunle & Sunday, 2010; Edet et al., 2017). Financial performance indicators normally include profitability, efficiency, leverage and liquidity (Salim & Yadav, (2018). A good performance measure must have the fundamental characteristics of being a broad-based measure, structured understanding of strategy, provide feedback and act on results. The term financial performance is used to describe the state of affairs of a firm (Salomon et al., 2013). In analyzing a firm financial performance, emphasis should be made in formulating an adequate description of the concept of a firm's financial performance which uncovers the different dimensions upon which firm's financial performance should be evaluated (Velnampy &Niresh, 2016; Njagi et al., 2017).

Returns on Investment

This is a performance measure used to evaluate the effectiveness of an investment or to compare the effectiveness of a variety of investments (Dare & Sola, 2016). The financial indicator return on investment is directly traceable to measure the amount of return on a particular investment relative to investment costs (Olatunji & Tajudeen, 2014).

The research study evaluated by Akintoye and Osirim et al, (2020) disclosed that return on investment is the relationship between net profit and investment costs due to an investment of some resources. A high return on investment means that the investment gains are distributed to its costs (Yung-Chieh, 2019; Orajaka, 2017). The measure return on investment is used to evaluate the effectiveness of an investment or to compare the effectiveness of several different investments. Economically, it is a way to associate profits to invested capital. Return on investment is a performance measure that companies use to identify the effectiveness of an investment or a variety of investments (Iyoha & Umoru, 2017).

The research established by Kanu, (2019) affirmed that return on investment is the ratio between the net profit and cost of investment resulting from an investment of some resource. In business, the purpose of the return in investment metric is to measure, per period, rates of return on money invested in an economic entity in order to decide whether or not to undertake an investment (Oladele et al., 2017). It is also used as an indicator to compare different investments within a portfolio. The investment with the highest return is usually prioritized, although the spread of return on investments over the period of an investment must also be taken into account. Orajaka, (2017) in his research study disclosed that return on investment can be determined by analyzing the profit arising from income and capital gain of a business organization. Return on investment is usually applied as a measure of performance

when there is need to determine how efficient an investment is, or to make comparison of several different investments (Vu et al, 2020).

Market Timing Theory

The theory was advanced by Modigliani and Miller, (1958) which contends that organizations time their issue of equities such that new equities are only issued when there are perceptions that the stock prices are overvalued. The changes in stock prices have an influence on the capital structure of the firm (Afrasiabishani et al., 2012). The theory proceeds on assumption of rationality among all the economic agents. Equities are regarded to be issued directly whenever there is a positive release of information which lowers the asymmetrical flow of information between the management of the firm and its shareholders (Ningi & Usman, 2017). Similarly, the reduction in information asymmetry is consistent with increased price of stock. The theory affirmed that firms have strong preference of equity when and only when its relative costs are low, otherwise, the debts are most appropriate.

Modigliani and Miller, (1958) affirmed that owners of business will use financial instruments and tools that are suitable or favorable in a given scenario. The managers strive for equity financing even when there are no growth opportunities such that cash flows can be used as a requirement but not for maximization of shareholder wealth. The manager wants free cash flows to invest in unprofitable project that generate cash so that salaries or perquisites may be enhanced rather than service debt (Martinez et al., 2018; Abeywardhana 2015; Khan, 2012; Serwadda, 2019). In response to this, each firm comes up with its own opportunities for timing. The theory has been criticized on several grounds. Mugisha and Omagwa, (2020) who claimed that whenever market timing exists; it does not significantly impact on the power of the firm. The same time not every participant in the stock market will act in a rational manner as the theory assumes.

In the realm of corporate finance, the Market Timing Theory offers a compelling lens through which to understand the intricate dance between companies and the stock market. Unlike traditional theories that focus on optimal debt-to-equity ratios or financing hierarchies, this theory acknowledges the dynamic nature of market valuations. It suggests that companies, rather than adhering rigidly to a static capital structure, actively seek to capitalize on market fluctuations. When stock prices soar, signaling a potential overvaluation, companies are more inclined to issue new shares, effectively selling high. Conversely, when stock prices plummet, indicating undervaluation, companies might opt to repurchase shares, buying low. This perspective is highly relevant because it provides a more nuanced explanation for real-world financing decisions. It helps us decipher why companies sometimes deviate from what might appear to be an ideal capital structure, choosing equity over debt, or vice versa. It acknowledges the human element in financial decision-making, recognizing that managers, driven by their perceptions of market mispricing, might attempt to exploit perceived inefficiencies. Furthermore, the theory's relevance extends beyond immediate financing choices, as research demonstrates that past market timing decisions can leave a lasting imprint on a company's long-term capital structure. This means that a company's current debt-toequity ratio might be, in part, a legacy of previous attempts to capitalize on market highs and lows.

The theory is applicable to this research study for it justifies why organizations use retained earnings and ordinary share capital to finance investment projects. The theory therefore supports the key components of equities including retained earnings and ordinary share capital in ensuring financial performance of the firm as related to return on investment and earnings per share. The theory also helps understand the relationship between financial performance and various components of equity financing. The Market Timing Theory, in its essence, paints a picture of companies as active participants in a dynamic stock market, strategically maneuvering their financing decisions to capitalize on perceived market inefficiencies. It predicts that when companies believe their stock to be riding high, inflated by market exuberance, they will seize the opportunity to issue equity, effectively selling shares at a premium. Conversely, when the market turns sour, and companies perceive their stock to be unjustly undervalued, they will opt to repurchase shares, buying them back at a discount. This strategic dance with the market, it suggests, leaves a lasting imprint on a company's capital structure. A company's current mix of debt and equity is not merely a product of optimizing for tax shields or minimizing financial distress, but rather a reflection of past attempts to exploit market highs and lows. This pursuit of market timing can lead companies to deviate from the "optimal" capital structures prescribed by other theories, as the allure of short-term gains outweighs the pursuit of long-term equilibrium. Consequently, equity issuance becomes a volatile affair, waxing and waning with the tides of market sentiment, unlike the more consistent flow of debt financing. In short, the Market Timing Theory predicts a world where corporate financing is not a static calculation, but a dynamic, market-driven endeavor.

Empirical Review

Orlu et al (2022) evaluated capital structure and financial performance of commercial banks in Nigeria. The objective of the study was to determine the extent to which debt financing affect financial performance of quoted commercial banks. The study anchored on capital structure theory. Descriptive research design was employed in the study. Data were sourced from financial statement of the quoted commercial banks from 2002-2021. Return on equity was modeled as the function of debt equity ratio, debt ratio, equity ratio, total liability ratio and long-term debt ratio. Multiple regressions with econometrics view statistical package were used as data analysis techniques. Co-integration, Granger Causality Test and Augmented Unit Root Test were used to determine the long and the short run relationship that exist among the variables. The finding of study disclosed that debt financing has negative and significant relationship with return on equity. Total liability has negative effect with return on equity of quoted commercial banks in Nigeria. The study concluded that debt capital has significant effect on the financial performance of the quoted commercial banks in Nigeria. The study recommended that management of quoted commercial banks should work very hardtop optimize the capital structure in order to increase the returns on equity and assets through ensuring that their capital structure is optimal and management of commercial banks should increase their commitments into capital structure in order to improve earnings from their business transaction.

Babajiru et al (2022) established the relationship between capital structure and financial performance of quoted industrial goods firms in Nigeria for a thirteen (13) year period covering from 2008-2021. Specifically, the study aimed to ascertain the relationship between debt-to-equity ratio, short term debt ratio, and long-term debt ratio and cash value added. The research philosophy of study was underpinned on pragmatism school of thought backed by agency and stakeholders' theory. Panel data were obtained from the annual reports and accounts of fourteen (14) sampled quoted industrial goods firms for the periods 2008-2021. The research design was ex-post facto. The study applied inferential statistics using Pearson correlation coefficient, Multi collinearity test and Panel Least Square (PLS) regression analysis to test the hypotheses of the study. The results revealed that debt-to-equity ratio and long-term debt ratio have a significant negative relationship with cash value added, while short term debt ratio significantly and positively relates with cash value added of quoted industrial goods firms in Nigeria at 5% level of significance. The study recommended amongst others that firms need to look more closely at the company's ability to pay its debt obligations, by managing the use of assets and cash flows to reduce the firm's risk of loss from not paying a liability on time. Well-managed assets and liabilities involve a process of matching offsetting items that can increase business profits.

Ezeagba et al (2022), examined the relationship between financial leverage and the performance of Sri Lankan listed manufacturing companies. The objective of the study was to analyze the impact of financial leverage on the performance of listed manufacturing companies in Sri Lanka. The study mainly employed quantitative descriptive research design using cross sectional design also used qualitative approach. The present study employed ratio analysis to examine whether the financial leverage in listed manufacturing firms in Sri Lanka affected their performance involving the financial performance indicators of return on assets (ROA), return on operating assets (ROOA), return on net operating assets (RNOA), return on equity (ROE) and the impact on the financial level indicators as the debt to equity (DE) and financial spread. The results revealed both a positive and negative relationship between financial leverage and the firms' performance using two different methods of analysis (overall business analysis and main business analysis). The overall business analysis showed a positive relationship between financial leverage and firm performance, which supports the agency, cost theory of financial leverage, whereas the main business analysis showed a negative relationship between financial leverage and the firms' performance.

Emmanuel and Gladys (2021) evaluated the effect of board composition on the financial performance of commercial banks in Cameroon. The study investigated the effect of board composition on the financial performance of commercial banks in Cameroon. Ex-post facto research design was adopted for the study. The study employed longitudinal descriptive research design to determine the relationship. The data used for the study was secondary data derived from the audited financial statements of the selected registered commercial banks in Cameroon. A five-year period from 2015-2019 was the period of concentration. Data collected was analyzed using panel data regression analysis. Findings revealed that the board composition which is the proportion of non-executive directors to the executive directors on

the board recorded a mean of 75%. This means that on average of 75% of the board members are outside directors (non-executive directors) in Cameroon based banks. Also, the regression analysis indicated that there exists a negative correlation between board composition (proposition of non-executive directors) and the financial performance of commercial banks in Cameroon as measured by return on asset. The study recommended that commercial banks in Cameroon should strike a fair balance between the proportion of non-executive and executive directors on their board for improve performance.

Anton and Nucu (2021) evaluated the impact of working capital management on firm profitability of polish listed firms. The purpose of the study was to investigate the relationship between working capital and firm profitability for a sample of nineteen 19 Polish listed firms over the period of 2007–2020. The research study adopted a quantitative approach using different panel data techniques (ordinary least squares, fixed effects, and panel-corrected standard errors models). The study was backed by signaling and shareholders theory. The empirical results reported an inverted U-shape relationship between working capital level and firm profitability, meaning that working capital has a positive effect on the profitability of Polish firms to a break-even point (optimum level). After the break-even point, working capital starts to negatively affect firm profitability. The study brings theoretical and practical contributions. It extends and complements the literature on the field by highlighting new evidence on the non-linear interrelation between working capital management (WCM) and corporate performance in Poland.

Bingilar and Kpolode (2021) investigates capital structure and financial performance of oil and gas companies listed in Nigeria for the period 2014 to 2020. The study empirically and statistically evaluate the implication of capital structure which was represented by equity to capital ratio (ECR) and debt to equity ratio (DER) and the performance which is represent by return on equity (ROE) of oil and gas sector firms listed on Nigeria exchange group, eight (8) firms was used for the study such as 11 Plc Formally Mobil Oil Nigeria Plc, Anino International Plc, Coinoil Plc, Eterna Plc, Ardova Plc Formally Fortoil, Japaul Oil and Maritime Service Plc, Seplat plc and Total Nigeria Plc. The study mainly employed quantitative and cross-sectional design approach. The secondary panel data was retrieved from the globally published financial reports in Nigeria stock exchange group. The study applied multiple regressions with econometrics view statistical package were used as data analysis techniques. Co-integration, Granger Causality Test and Augmented Unit Root Test were used to determine the long and the short run relationship that exist among the variables. The result showed that the companies experience a weak level of activities between the period of 2014 and 2020. The study disclosed that equity to capital ratio (ECR) has a negative and insignificant relationship with equity (ROE) of oil and gas sector firms listed on Nigeria exchange group while debt to equity ratio has negative but not significant relationship with equity (ROE) of oil and gas sector firms listed on Nigeria. Thus, the study concluded that capital structure has statistical and significantly impact on financial performance of oil and gas firms in Nigeria.

Noor and Simiyu (2020) established the effect of equity financing and financial performance of SMEs in Garissa County, Kenya. The research study aim was to determine the effect of crowd funding on financial performance of SMEs in Garissa County, Kenya. The study was submitted by market timing chain and pecking order Theory. Design of the study was descriptive. 3097 small and medium enterprises in Garissa County were the target population. The respondents of the study were the finance managers, accountants and owners of SMEs. The study used a formula by Kothari (2004) to determine the sample size. Primarydata was collected by the use of a questionnaire. Statistical package of social science was used for analysis and both descriptive analysis and inferential statistics was presented. The findings were presented in tables, graphs and figures. The results indicated that the small and medium enterprises are very dynamic and consider crowd funding from different sources in the country. The study concluded that crowd funding significantly and positively effects the changes in financial performance.

Moses et al (2020) examined the relationship between board structure and performance of firms listed at the Nairobi securities Exchange. The study is anchored on agency theory, resource dependency theory, transaction cost theory, political theory and a census approach. A population of the study comprising sixty-five companies listed at the Nairobi Securities Exchange between 2002 and 2019 were used. The study employed longitudinal descriptive research design to determine the relationship. Data was extracted from annual reports of listed firms. Panel data regression analysis was conducted using the random effects model. The results revealed that gender diversity and occupational expertise had significant effect on Return on Assets, while board independence and board age had significant effect on Tobin's Q of listed firms in Kenya. On the other hand, board size had an insignificant effect on both Return on Assets and Tobin's Q. The overall effect of board structure on Returns on Assets and Tobin's Q was significant. The study concluded that various board structure mechanisms except board size have significant effect on performance of listed firms in Kenya, and the overall board structure had significant effect on performance of listed firms. The study recommended that management should incorporate board structure mechanisms to enhance performance of firms and regulatory authorities should review the current board structure variables to make them more relevant to improve performance of listed firms in Kenya.

Methodology

The study adopted correlational research design. The targeted population of this study consists of all fifteen (15) insurance companies listed on the Nigerian Stock Exchange (NSE) from 2015 to 2022. The research adopted judgmental (purposive) sampling by studying the ten (10) insurance companies that have complete data series. This study employed descriptive, Panel Least Squares, and partial correlation statistics for the purpose of data analysis.

Empirical Results and Discussion Analysis of Descriptive Statistics Table 1: Descriptive Statistics of the Variables

	SC	RE	ROI
Mean	3.596200	5.283300	11.88264
Median	2.592850	3.984200	11.43225
Maximum	8.863200	15.76370	17.09320
Minimum	1.409400	2.938800	7.704900
Std. Dev.	2.354667	3.819581	3.248198
Skewness	1.397196	2.339190	0.337657
Kurtosis	3.601922	7.042178	1.814705
Jarque-Bera	3.404557	15.92768	0.775406
Probability	0.182268	0.168348	0.678614
Sum	35.96200	52.83300	118.8264
Sum Sq. Dev.	49.90009	131.3028	94.95712
Observations	80	80 80	

Source Author's Computation using E-Views, 10

Table above depicted the descriptive statistics results of the independent variables scaled by share capital (SE), and retained earnings (RE) and dependent variables return on investment (ROI). The results disclosed that dependent variables return on investment (ROI) recorded a mean value 11.88264 while independent variables share capital (SE), and retained earnings (RE) revealed a mean value 3.596200 and 5.283300 respectively. The descriptive statistics also disclosed the standard deviation for the study variables SC, RE, and ROI, recorded 2.354667, 3.819581, and 3.248198.

In addition, the mean and low standard deviation values for all the variables are clear indications that the variables are not constant over time. The skewness statistics indicated that all the variables are positively skewed which shown the variables has a long right tail except return on asset. According to the information provided by kurtosis, return on investment (ROI) has a platykurtic value, which means that it is less than the kurtosis value of (3), but share capital (SC), and retained earnings (RE) all have leptokurtic values, which suggest that the variables are higher than the kurtosis value of (3) that is clearly mesokurtic. The Jarque-Bera test statistic is used to ascertain the difference of the skewness and kurtosis of the series with those from the normal distribution. The null hypotheses of the Jarque-Bera test statistics disclosed that all the variables share capital (SE), and retained earnings (RE) and return on investment (ROI) are normally distributed. This implied that their corresponding probability values greater than 5% significant level.

Unit Root Test

Table 2: Summary of Unit Root Test ResultDependent Variable ROIMethod Panel Least SquaresDate 5/11/2023Time 12:38Sample 2015 2022Periods included 8Cross-sections included 10Total panel (balanced) observations 80

Variable	Coefficient	Std. Error	T-Statistic	Prob.
С	7.920044	1.560301	5.075971	0.0023
SC	1.122338	0.317545	3.534418	0.0123
RE	0.062768	0.195157	0.321629	0.7586
R-squared	0.747856	Mean dependent var		11.88264
Adjusted R-squared	0.621784	S.D. dependent var		3.248198
S.E. of regression	1.997618	Akaike info criterion		4.510962
Sum squared resid	23.94286	Schwarz crit	erion	4.631996
Log likelihood	-18.55481	Hannan-Qu	inn criter.	4.378188
F-statistic	5.931979	Durbin-Watson stat		1.900418
Prob(F-statistic)	0.031563			

Source Author's Computation using E-Views, 10

The results in table above disclosed the regression coefficient of ($R^2 = 0.747856$, Adjusted $R^2 = 0.621784$, DW=1.900418). The results of the regression model disclosed the effect of the independent variables on the dependent variable; as well as the controlling variable. The coefficient of determination R^2 represented the proportion of variance of dependent variable that has been explained by the independent variables in respect to share capital (SC), and retained earnings (RE) in the regression model. The Adjusted R^2 provides an insight of goodness of fit of the model. This implied that 62% increase in return on investment (ROI) is contributed to increase in share capital (SC), and retained earnings (RE), The Durbin-Watson statistic test discovered that there is positive evidence of autocorrelation in the time series data set.

Decision: Reject the null hypotheses; probability value is less than 5% significant level. Otherwise; accepted the alternate hypotheses

Statement of Hypotheses

- H_{01} The effect of share capital on return on investments of listed insurance companies in Nigeria is not significant.
- H_{02} The effect of retained earnings on return on investments of listed insurance companies in Nigeria is not significant.

Interpretation of Hypothesis One and Two

The results in table above depicted the effect of share capital on return on investments of listed insurance companies in Nigeria. The probability value (P= 0.0123 < 0.05) significant level. This simply indicated that the null hypothesis (\mathbf{H}_{01}) is rejected and the alternate hypothesis (\mathbf{H}_{a1}) was accepted which implied that the effect of share capital on return on investments of listed insurance companies in Nigeria is positive and statistically significant for the period under investigation. The results also depicted the effect of retained earnings on return on investments of listed insurance companies in Nigeria. The probability value (P= 0.7586 > 0.05) significant level. This simply indicated that the alternate hypothesis (\mathbf{H}_{a2}) is rejected and the null hypothesis (\mathbf{H}_{02}) is accepted which implied that the effect of retained earnings on return on investments of listed insurance companies in Nigeria. The probability value (P= 0.7586 > 0.05) significant level. This simply indicated that the alternate hypothesis (\mathbf{H}_{a2}) is rejected and the null hypothesis (\mathbf{H}_{02}) is accepted which implied that the effect of retained earnings on return on investments of listed insurance companies in Nigeria is positive and statistically not significant for the period under investigation.

Discussion of Findings

Share Capital and Return on Investments

The results in table 3 depicted the effect of share capital on return on investments of listed insurance companies in Nigeria. The probability value (P= 0.0123 < 0.05) significant level. This simply indicated that the null hypothesis (\mathbf{H}_{01}) is rejected and the alternate hypothesis (\mathbf{H}_{11}) was accepted which implied that the effect of share capital on return on investments of listed insurance companies in Nigeria is positive and statistically significant for the period under investigation. The finding of this study is in line with Olatunji and Tajudeen, (2014) depicted that return on investments is characterized as the relationship between net profit and investment costs due to investment is the relationship between net profit and investment costs due to an investment is the relationship between net profit and investment costs due to an investment of some resources. Other studies also illustrated that there is a positive significant relationship between ordinary share capital and financial performance (Kanhuna & Waweru, 2015; Kanu, 2019; Oladele et al., 2017). The findings disagreed with Vu et al, (2020) whose results were discovered statistically significant negative relationship between ordinary share capital and financial performance.

Retained Earnings and Return on Investments

The results in table 3 depicted the effect of retained earnings on return on investments of listed insurance companies in Nigeria. The probability value (P= 0.7586 > 0.05) significant level. This simply indicated that the alternate hypothesis (\mathbf{H}_{a2}) is rejected and the null hypothesis (\mathbf{H}_{o2}) is accepted which implied that the effect of retained earnings on return on investments of listed insurance companies in Nigeria is positive and statistically not significant for the

period under investigation. The empirical finding agreed with Yemi and Seriki, (2018); Anarfo, (2015); Vătavu, (2015) Yazdanfar and Ohman, (2019); Iqbal et al, (2015); Tailab, (2014); Abdullah and Tursoy, (2021); Nguyen and Nguyen, (2020); Pham, (2020); Kyereboah-Coleman, (2017) investigated the impact of retained earnings on firm's performance in the local and international companies. The study depicted that the effect of retained earnings on return on investments of listed insurance companies in Nigeria is statistically not significant. The findings are contrasts with Mutua and Atheru (2020), Perri (2022), Nderitu and Githinji (2021), Akintoye and Abdulraheem (2020), Osirim et al, (2020) whose investigations reported significant negative relationship between equity financing and business performance."

Conclusion

The study aimed at examining Equity Financing and Financial Performance of Listed Insurance Companies in Nigeria. However, based on the data analysis, and discussion of findings, and summary of findings above, the study concluded that share capital positively influence return on investments of listed insurance companies in Nigeria. It also concluded that retained earnings positively influence return on investments of listed insurance companies in Nigeria.

Recommendations

Based on the summary of findings and conclusion above, the following recommendations were made:

- 1. Insurance companies should embrace share capital to finance the business. This provides positive significant influence the profitability and return on investments of the insurance companies in Nigeria.
- 2. Managers of the listed insurance companies should make every effort always to trade in retained earning method of financing the business which will positively improve the financial performance of the company.

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