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The Impact of Corporate Governance on the Financial Performance of Insurance Companies in Ethiopia

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ADDIS ABABA

DECLARATION

I, Tewodros Engida hereby declare that the thesis, entitled "The Impact of Corporate Governance on the Financial Performance of Insurance Companies in Ethiopia" submitted to the Department of Accounting and Finance, College of Business and Economics, Wolkite University is my own work.

Place: Wolkite, University

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Tewodros Engida

LIST OF ABBREVATIONS

AGM Annual General Shareholders Meeting

BS Board size

BSC Board subcommittees

CEO's Chief Executive Officers

Coef Coefficient

CoG Corporate Governance

DP Dividend policy

EQB Educational qualification of the board

FLEV Firm Leverage

FLIQ Firm liquidity

FS Firm size

IAIS International Association of Insurance Supervisors

LSIB Licensing and Supervision of Insurance Business

Max. Maximum

MFB Meeting frequency of the Board

Min. Minimum

NBE National Bank of Ethiopia

Obs. Observation

OECD Organization for Economic Cooperation and Development

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ABSTRACT

Corporate governance plays a pivotal role in corporate companies' overall management. There are many companies that looked great on paper but failed due to ill corporate governance. This study was necessitated by lack of unique governance system across the world and scant corporate governance studies in Ethiopia. Indeed, there are a few studies which are done in case of insurers in Ethiopia. Additionally, previous corporate governance studies documented mixed findings. The main objective of this study was to identify the impact of corporate governance on the financial performance of insurers in Ethiopia. Explanatory research design was used to measure the effect of corporate governance mechanisms on the financial performance of insurers which is measured by ROA. The corporate governance variables of the study are board size, board gender diversity, board business management experience, meeting frequency of the board, educational qualification of the board, board subcommittee size, firm size, leverage, liquidity and the dividend payment policy of the company. This study used both primary and secondary sources of data which are basically more quantitative and qualitative in nature. Data for Board size, board meeting frequency, the number of board sub committees, board gender diversity, business management experience of board members and the board members educational qualification are obtained through questionnaire administered to insurers CEOs/Presidents or board secretaries. Data for firm size, liquidity, leverage and dividend payment policy of insurers were obtained from secondary source. Eleven insurers were selected to investigate the impact of corporate governance on the financial performance of insurers based on purposive sampling method. This study used random panel regression analysis. Based on a regression analysis firm size, board subcommittee size and liquidity have a significant positive impact on ROA of insurers while leverage has a significant negative impact on ROA. Furthermore, board size, meeting frequency of the board, educational qualification of board members, board gender diversity, business management experience of the board and dividend payment policy have had insignificant impact on ROA of Ethiopian insurers.

Key terms: - Corporate governance, financial performance, insurance companies and Ethiopia.

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CHAPTER ONE

1. INTRODUCTION

This section will introduces the background of the study, statement of the problem, objectives of the study, research hypotheses, scope and limitation of the study, significance of the study and organization of the paper.

1.1 Background of the Study

The essentiality of insurance sector in advanced economic system is undisputed. The sector has been faced in a continuous challenging process that needs proper corporate governance practice. Weakness in corporate governance structure with in companies and insurers were cited as a reason for excessive risk taking, skewed incentive compensations for senior managers and the ascendance of a board culture that values short term gains over sustained long-term performance (Mistre, 2015).

Corporate governance is the structure by which the organizations are managed and controlled. For improving the economic efficiency and development as well as for the enhancement of investors' confidence corporate governance plays a pivotal role. Corporate governance concerns a set of formal association between a company's management, its shareholders and other stakeholders. Corporate governance also furnishes the scheme through which the objectives of the company are set and the way of attaining those objectives. The stability of a market economy highly depends on the proper functioning of corporate governance system (OECD, 2015).

As of Razaee (2009), corporate governance currently has become one of the vital areas of attention with in governments, giant companies and scholars as financial difficulties emerged from bankruptcy, fraud and failure now a days.

As a result corporate governance is a current endless concern over the world. It has gained a wonderful attention in recent years. Under considerable body of literature the component of good system of governance and a variety of framework included and has been proposed.

Good corporate governance should afford proper incentives for the management and the board to commit objectives that are in the interest of the company and its shareholders. Good corporate governance also facilitates the effective monitoring of the board and the management activities. Effective corporate governance within companies and in the whole economy facilitates a high level of confidence that is basic for the proper functioning of a market economy (OECD, 2015).

Corporate companies can be held accountable for what they do in corporate governance to ensure that the business area is fair and transparent. Meanwhile, mismanagement, wastes and corruptions are caused by weak corporate governance. Even though corporate governance emerged as a mechanism to carry off modern giant Stock Corporation it has equal significance in state owned enterprises, cooperatives and family businesses. So irrespective of the type of the venture only good corporate governance can offer sustainable good business performance (Mohammed, 2009).

The essentiality of corporate governance came to attention of the government in 1990's after western economies witnessed a serious of financial scandals such as Enron, WorldCom and Para malt which were facilitated by wrong doings on the parts of the management, auditors and financial market operatives. This scandal shocks the confidence and trust of citizens in the institutions of these economies and led them to devise stricter regulatory mechanisms (Geziom, 2013).

Burcin and Stign (2012) state that the values of corporate governance received more attention because of the recent ongoing financial crisis and being another impetus to the realization of that corporate governance affects overall economic wellbeing. The recent financial crisis has been particularly suffering wakeup call because it adversely affected employment, consumer spending, pensions, the finance of the national and local governments worldwide, and the global economy.

1.2Statement of the Problem

The existence of insurance sector in the economy is unquestioned. Despite, the economy and the wealth creation can be affected adversely. For any corporation good corporate governance practice has become a necessary prerequisite. The global financial scandal in gaunt corporate companies like Baring Bank, Enron and World com showed corporate governance weakness because of inefficient and ineffective corporate governance control mechanisms (Vadiale, 2010).

King and Levine (1993) magnifies why corporate governance so important in insurance sector especially in developing countries in two ways: First, insurance sector plays a dominant role in the financial system and engine of economic growth. Second, the existences of organized market are underdeveloped. The corporate governance weaknesses have been characterized with financial scandals and directors illegal act against shareholders interest. This is worrying especially in the bank and insurance sectors (Muriithi, 2009).

Ethiopian insurance sector characterized by strong resilience to a dynamic macroeconomic environment and global development. Therefore, capital appreciation, structure of board sub committees and the premium growth faced with some difficulties (Mistre, 2015). A 2006 World Bank survey of different countries identified key weaknesses in insurance governance. These are found in less developed, transition and with a few highly developed markets. Supervisory boards are established in such a manner that they can only play a relatively minor role. Most supervisory boards among companies in the EU accession countries lacked independent directors who could provide a perspective independence from those company insiders.

Corporate governance gives ways to balanced risk taking and enhances business prudent, prosperity and corporate accountability with ultimate objective of realizing long-term shareholders value as well as a customers and other stakeholders interest. The Licensing and Supervision of Insurance Business (LSIB) Proclamation No. 86 of 1994 governs all insurance activities in Ethiopia and is supported by definitions contained in the commercial code of 1960,

the insurance policymaking, regulating and supervising activities all done by National Bank of Ethiopia.

Despite similarities in the objective it seeks to attain, corporate governance is structured uniquely in different jurisdictions. There is no uniform system of corporate governance that countries can easily implement. Every mode of corporate governance has its own advantage and disadvantage. Consequently, countries have differing rules of corporate governance and two jurisdictions can hardly have the exact same rules of corporate governance. Ethiopia has adapted most of its modern legal codes including the commercial code of 1960 from the continental European legal codes. In opposite to the situation in European countries, only shareholders are allowed to serve as a numbers of the one–tier board of directors in Ethiopian share companies.

Many studies have sought to investigate the relation between corporate governance mechanisms and financial performance such as Masood (2011), George and Johnson (2014) and Robert (2013). Most of the studies have showed mixed results related with the impact of leverage, liquidity, board size, board qualification on ROA without clear cut relationship. Mozes and New man (1999) examined that agency costs were higher if board subcommittees are less; as a result it reduces the corporate financial performance. In contrast to this finding some studies like Karamanou and Vafeas (2005) examined that when we have a larger audit committee size we can suffer higher process losses as well as diffusion of responsibility. Additionally, studies in corporate governance like Esra and Allam (2015), Masood (2011), Bawalya (2009); George and Johnson (2014) have done their work in huge companies with those countries that have organized market and exchange.

Corporate governance in Ethiopia was not much studied; some studies previously conducted in case of Ethiopia were concentrated in financial institutions specifically in commercial banks. In those studies corporate governance basic mechanisms were not covered sufficiently well and the numbers of observation were restricted in those studies. Kibrysfaw (2013) examined the effect of corporate governance on the financial performance of commercial banks by taking nine commercial banks out of eighteen commercial banks in Ethiopia. However, his study not covered basic corporate governance mechanism like educational qualification of the board, firm size, the dividend policy of the company and firm leverage.

Even if a study done by Abdurazak (2017) tried to assess those issues in corporate governance in a relatively wider manner in terms of including corporate governance mechanisms than Kibrysfaw (2013) and Bonsa (2015), he also missed some important corporate governance mechanisms. Such as Board size, firm size, the dividend policy of the company and firm leverage. Abdurazak (2017) assessed the effect of corporate governance on financial performance of private commercial banks in Ethiopia.

The result of his paper showed that liquidity ratio and financial performance of private commercial banks have a negative relationship but with insignificant level. Meeting frequency and board ownership have a positive but with insignificant effect on the performance of private commercial banks. Except Bonsa (2015) study which entitled as the impact of corporate governance on financial performance of some selected insurance companies in Ethiopia, both Kibrysfaw (2013) and Abdurazak (2017) performed their studies on commercial banks. So this study tried to fill this research gaps and help as a reference for further researchers in the field corporate governance by taking basic corporate governance mechanisms or variables which related to the current situations of the case analysis.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The objective of this study was assessing corporate governance and its impact on the financial performance of insurance companies in Ethiopia.

1.3.2 Specific Objectives of the Study

Specifically the study has the following objectives;-

1. To identify the impact of board size, board subcommittee size, board gender diversity, business management experience of directors, meeting frequency of the board, educational qualification of board members, firm size, leverage, liquidity and dividend policy on the financial performance of insurers in Ethiopia.
2. To determine the relationship between corporate governance mechanisms and financial performance of insurance companies in Ethiopia.

1.4 Research Hypotheses

The intent of this study was examining impacts of corporate governance mechanism on financial performance of Insurers in Ethiopia in order to achieve this objective ten hypotheses were developed. Hypothesis are constructed to see the impacts of (board size, Board subcommittee size, Board gender diversity, Business management experience of directors, Meeting frequency of the board, Educational qualification of board members, Firm size, Leverage, liquidity and Dividend policy) on the financial performance of insurers based on literatures.

The following hypotheses are formulated to guide the study to meet its key objective:-

Ho1: Board size has no impact on financial performance.

Ho2: Board subcommittee size has no impact on financial performance.

Ho3: Board Gender Diversity has no impact on financial performance.

Ho4: Business Management Experience of directors has no impact on financial performance.

Ho5: Meeting frequency of the board has no impact on financial performance.

Ho6: Educational qualification of board members has no impact on financial performance.

Ho7: Firm size has no impact on financial performance.

Ho8: Leverage has no impact on financial performance.

Ho9: liquidity has no impact on financial performance.

Ho10: Dividend policy has no impact on financial performance.

1.5 Scope and Limitation of the Study

This study mainly relies on corporate governance indicators accessed from the audited annual financial reports of insurance companies in Ethiopia. The financial performance of insurers only measured by using accounting based measures. This study focused on specific corporate governance mechanisms in order to see their impacts on the financial performance insurance companies in Ethiopia this will includes**;** - board size, board gender diversity, business management experience of directors, dividend policy, board subcommittee size, meeting frequency, firm size, firm liquidity, educational qualification of directors, and leverage of the firm. The study period will cover 10 years, ranging from (2008 to 2017 G.C) because of the availability of secondary data's. One of the limitations of this study is it relies on accounting based measure of financial performance.

The sample of the study includes 11 insurance companies out of seventeen insurance companies currently operating in Ethiopia for a regression variables because of the availability of secondary data from those insurance companies. In addition to that, for the regression variables the sample was not selected by employing random sampling technique. Simply they were selected based on the availability of data from 2008-2017 G.C.

1.6 Significance of the Study

The aim of this study is to identify the effect of corporate governance mechanisms on financial performance of insurance companies in Ethiopia. Hence, it is expected to indicate relevant corporate governance mechanisms that affect their financial performance. In addition this study provides empirical results for fund suppliers, government, shareholders and other stakeholders of insurance companies in Ethiopia. Which organizes information's to understand the nature of the relationship that exists between financial performance and corporate governance especially for Ethiopia insurance companies. It also suggests recommendations to improve the existing corporate governance practices for better performance of insurance companies. Finally, it would expect to top up the existing literature on corporate governance and serves as a reference material for other researchers who needs to make a research on this area at larger scale.

1.7 Organization of the Thesis

The study has five chapters. The first chapter provides introduction which covers background, of the study, statement of the problem, objectives, hypotheses, significance, scope and limitations of the study. The second one briefly discusses and outlined the theoretical and empirical reviews of the literature. In addition it provides the conceptual framework of the study. The third chapter presents the research design, data source and type, data collection instruments, target population and sample of the study, and method of data analysis. The fourth chapter details the results and discussions of the study based on the data collected from secondary sources. It covers descriptive statistics that shows the current trend of governance in Ethiopian insurers, correlation and regression results of the study. The last chapter provides findings of the study, conclusion and recommendations based on the results of the study. Moreover, it presents directions for future researches.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Theoretical Review of Literature

2.1.1 The Concept of Corporate Governance and its Definition

The increasing active participation of both shareholders and stakeholders in corporate decision making and the rise of corporate social responsibility (CSR) are the major issues for the development of the concept of corporate governance. Corporate governance is a comparatively recent concept. As a result, the definitions of corporate governance vary widely. There are two basic categories which dominate the definition of corporate governance. The first one concerned with the behavioral patterns of corporations, this behavioral patterns of corporations measured by performance, efficiency, growth, financial structure, treatment of shareholders and other stakeholders. The second one focused on the normative framework of the rule in which the firm operates, the rules based on the factor market, legal system and financial markets. Under both definitions sustainability concepts and corporate social responsibility got much attention for the need of conducting studies in country level or firms within a country level. The first definition of corporate governance is the more consistent choice, because it considers the relationship of different corporate governance mechanisms with their impact on the performance of different corporate companies. For comparative studies the second type is more important. It looks into how varieties in the normative framework affect the behavioral patterns of firms, investors and other stakeholders (Stijin and Burcini, 2012).

For accessing equity capital financing for the long term investment good corporate governance is very essential but this is not the end in itself, it is a means to ensure market confidence and business integrity. Sound legal, regulatory and institutional frameworks are very necessary to ensure effective corporate governance. Based on this market participants can rely on their private investment. Corporate governance framework specifically includes the behavioral patterns and the normative framework of the rules as well as the expected mix of both issues. The structure through which the behavioral patterns and the normative framework expressed may differ from country to country.

The elements of both aspects can usefully complemented by soft law like corporate governance codes in order to allow for flexibility and for addressing specific individual companies. Generalizing the applicability of corporate governance mechanisms to corporations, investors and stakeholders may not works for one company. The different provisions of corporate governance mechanisms has to be reviewed and when needed adjusted because of the new trend accrue and the business environment changed (OECD, 2015).

2.1.2 Theories of Corporate Governance

2.1.2.1 Agency Theory

The beginning of agency theory in corporate governance is normally related to the engagement of managers in charge of wealth that is not their effort. In another way a cost, called as Agency cost. If the business is owned by its manager this cost doesn't exist. Also this is the case that corporate governance of private company is different from those of public companies. For adjust the interest of managers with those of shareholders public companies around the world have created incentives. Instead of relaying fully on salary and bonuses to encourage managers and control agency cost the use of stock options and other equity based pay systems increased time to time. Rational managers have to see the company resource as the interest of others not the interest of their, so they have to take action that benefit shareholders as well as themselves. In huge public companies, the other layer of possibility of problem arises when shareholders assign directors to oversight the work of managers, that creating a second moral hazard or we can say a second layer of agency cost. From the ethical direction, the focus on economics in both sides diverts the moral preference among "right or wrong" in to one of "better or worse" as of (Donald Nordberg, 2007). According to agency theory "discretion and accountability" are the major corporate governance deal in the context of managers.

Agency theorists mainly concern for the maximization of shareholders wealth as the first standard for assessing corporate performance and enquire how the board contributes for further corporate performance. To see the relationship of managers and owners this theory offers different importance as well as for evaluating the relationship. The final objective of maximizing the returns to owners will be verified, specifically when the managers do not hold or own the company resource (Abdurazak, 2017).

2.1.2.2 Stakeholder Theory

Stakeholders theory of corporate governance is mainly linked to Japanese and continental European practice and specifically with Germany, under this the law required that half of the seat on supervisory board belongs to assembly man of the workforce. According to Donaldson (1976), stewardship theory provides associated set of observation about the motives of senior executives. In opposite of agency theory's pessimistic assumption about self-interested and self-serving managers, stewardship theory also tells that the pro-organizational motive of directors, what is the cause of better performance. Here is not the collective alignment of managers but their personal uniqueness with the goal and purposes of the organization. Shareholders theory and stewardship theory opposed the assumptions that the managers goal and motives are in contrary to shareholders. Both have an aim of maximizing the long term performance of a company and already well aligned.

2.1.2.3 Stewardship Theory

According to Huse (2007), stewardship theory suggests there will be a negative impact for a division of responsibilities among a chairman and choice executive. For ensuring good performance the roles it suggests have to be remain combined, so the basic contribution of stewardship theory places in its controversy of agency theory's negative assumptions about executives. Unlike agency theory, stewardship theory sees executives as a good manager who will act in the best aim of owners. Stewardship theory is more collective and organizational as well as greater utility than individual self-interested behavior and will not differ from the aim of the organization that is why the executives want to attain the objective of the organization.

Executives are considered as honest to the company and motivated to achieve good performance. To be considered as excellent performer executives wants to accomplish their job nicely. They don't necessarily do their own interest rather they have a strong motivation to the firm interest.

2.1.2.4 Resource Dependence Theory

The Resource dependency theory is originally developed by Pfeffer J. and Salancik G. (1978). Resource dependency theory inductively concluded from empirical studies. The major concern is that the oversight role that the board has and the part of non-executive element of a board contribution and both of them have a great set of resource.

When the individual appointed to the board the organization will expect that the individual will contribute to the organization, see himself with the problem on the ground and will variability present it to other. Finally try to aid the organization to solve the problems. Looking the board as a resource means thinking the board that the will create high performance. We can use Non-executive directors as a source of new ideas in the form of advice and counsel regarding strategic plan and its implementation as well as increasing reputation. Additionally, non-executive directors will have a role of assessing the environment that reduces the uncertainty in the business environment (Hillman and Dalziel, 2003).

This study is based up on two important corporate governance theories. These theories are agency theory and stakeholder's theory. Since agency theory is the relationship between the principals, shareholders and agents, company executives and managers so this study is done mainly based agency theory. Additionally, it touched stakeholder's theory as in the problem statement of this study the absence of supervisory board in Ethiopian insurers considered as one of the main study area.

2.1.3 Key Corporate Actors and Guiding Principles of Corporate Governance

The key corporate actors in corporate level are the board, management, shareholders and their relationships with each other as well as other stakeholders. According to Business roundtable (2016), the following core corporate governance guiding principles are supported:- The board is responsible for passing corporate strategies that are proposed to establish sustainable long term value, the board also appoints a chief executive officer (CEO), supervise the chief executive officer (CEO) as well as senior management in running the company's business, assigning

capital budgeting for the long term financing of the company and investigate and manage risks encountered by the company.

Effective directors are persevere monitors, however they are not the manager of the company. They are not expected to duplicate the task of executive officers. We have to give much emphasize for the distinction or separation of over sighting activity with management of the company. The board of directors sets the "tone at the top "for ethical beliefs and concepts of the company. The board of directors must have at minimum of nine directors. The board members shall provide a collection of core competencies such as finance, insurance, accounting, legal, business administration, auditing, and investment management. The management of the company formulates and implements the strategy of the company, runs the company's business under the board oversight for the aim of performing consistent long term value maximization, but not limited to performing the above tasks only the management responsibility considers strategic planning, risk management and financial planning.

Financial statements that fairly indicate the operating result as well as the financial position of the company which is produced by the management. The management provides additional disclosures for shareholders when shareholders need to investigate the financial soundness as well as the risk of that company.

The external relationship between outside auditor and the company is managed by the audit committee of the board. The audit committee of the board oversees the annual financial statement concerned with internal control of the financial reporting and control the risk management of the company. The corporate governance of the company mainly shaped and organized by the nominating committee of the board. The major arrangement of the board composition is done by nominating committee.

The members of such committee not less than five and the committee should appoint its chairperson and secretary. The major responsibility of this committee is for the election of board of directors. An employee and this committee member not allowed for presenting himself or herself as a candidate.

The other committee of the board which is the compensation committee formulates the executive director's compensation, packages and performance based compensation. Generally the board and the management should act in the interest of shareholders. The board has to regard the interest of all the stakeholders of the company like employees, customers, suppliers and the community in operating its business (Roundtabl, 2016).

2.1.4 Corporate Governance and Insurance in Ethiopia

As of Assefa (2015) as cited in Ahmed (2012), the alteration of corporate governance codes and directives in Ethiopia are a recent phenomenon. After the new policy reformation in 1991 the involvement of private insurers in insurance business in Ethiopia increased time to time. Furthermore, the requirement by Ethiopian law for third parity motor insurance and the betterment of public perception for insurance encourage insurers to participate in this business. As a result, sound corporate governance for this sector is needed.

The licensing and supervision of insurance business corporate governance directives No...SIB/--/2015 governs insurance companies corporate governance structure. According to NBE corporate governance directive for insurance sector corporate governance defined as the process and the structure used to direct and manage the business and affairs of insurers towards enhancing business prosperity and corporate accountability with the ultimate objectives of realizing long term shareholders value, insurance customers and other stakeholders.

Ethiopia adopted most of its modern legal codes encompassing the commercial code of Ethiopia from European countries legal codes. Under this legal code the general principles of corporate governance included. Furthermore, the national bank of Ethiopia corporate governance directive was in acted to supplement the general rules in commercial code.

In contrast to a situation in continental Europe especially in Germany, the Ethiopian corporate governance code putted "one tier" board of director's composition. Therefore, only shareholders allowed to be involved their company board of director. Whereas, Germany exercise "two-tier" board structure that encourages other stake holders to participate in the management board as well as in the supervisory board.

The strategic guidance of the company, the effective monitoring of the management, the board accountability and shareholders interest protection got much attention in organization for economic cooperation and development (OECD) principles that is somewhat consistent NBE corporate governance directive for Ethiopian insurers (Assefa, 2015).

According to Ahmed (2012), good corporate governance improves the assurance of shareholders in their company and positively advances the overall business of the environment. Ahmed (2012) also state that the commercial code of Ethiopia includes purveyances to the corporate governance of share companies. Nevertheless, such purveyances are not sufficient to cover specific issues in corporate governance like the separation of duties between CEO's and non-executive directors, the director's remunerations and compensation plans and the composition and independence of the board. Consequently, those proclamations and directives which concerned with corporate governance of insurers lack to cover all the dimensions of the aforementioned issues.

Additionally, Ahmed (2012) as cited in Bonsa (2015) indicates that the Ethiopian corporate company law does not have sufficient legislative provisions on corporate governance matters. Moreover, the separation of supervision and the management responsibility under corporate governance codes and directives are not getting much attention enough. So the status of corporate governance in Ethiopia is letdown to establish adequate legislative reactions to this dynamic corporate governance issues in this day. The NBE directive related to corporate governance of insurers is not emphasize more to minority shareholders right protection, effective disclosure requirement, and audit and risk management effectiveness requirements.

There are many organizations that involved in issuing sound corporate governance scorecards and principles every year such as G20 corporate governance reports, organization for economic cooperation and development (OECD) principles and business roundtable corporate governance indexes. Therefore, the corporate governance directive of NBE has to be assessed every year with the bench mark of the above organizations that is why corporate governance is dynamic in many conditions.

Generally, good corporate governance is not an end in itself. It is a means to create market confidence and business integrity, which in turn is essential for companies that need access to

equity capital for long term investment. Access to equity capital is particularly important for future oriented growth for companies and to balance any increase in leveraging (OECD, 2015).

2.2 Empirical Literature

The choice of explanatory variables is based on their theoretical relationship with the dependent variable. In many corporate governance literature (board size, Board subcommittee size, Meeting frequency of the board, Educational qualification of board members, Firm size, Leverage, liquidity and Dividend policy) were used as corporate governance mechanisms and International organizations such as Organization for Economic Cooperation and Development (OECD) have developed corporate governance principles which focused on the above corporate governance mechanisms.

2.2.1 The board size and insurer's financial performance

Board of directors in modern corporate companies plays a major role and investigating the relationship is very critical to our knowledge of corporate governance. Different studies conducted before on the board structure had focused on intimidating smaller board size. Even though larger board size at the beginning facilitates key board functions or activities, it causes coordination and communication problems so board effectiveness and firm performance declines (Lipton and Lorsch, 1992; and Jensen, 1993). The empirical evidence (reviewed below) comes across to aid this view, most of studies confirms that a significantly negative relationship between board size and corporate performance. If lower financial performance caused by larger board size, then this larger board size would indicate inefficient governance that has to be improved by a principle of "one size fits all" approach to board size.

As Lipton and Lorsch (1992) and Jensen (1993), points out that board size should be not greater than 8 or 9 for all firms. Hence the findings of different studies have important regulatory framework implications. To address this, Wintoki and Yang (2007) adapts a generalized method of moments (GMM) estimator that allows board size to adjust to past performance, and finds no relationship between board size and firm performance.

As you know that the board size based on the firms specific characteristics, as a result the anticipated impact of board size on performance may vary according to these characteristics. Consistent with this, Cole and Naveen (2008) investigate that the impact of board size on firm financial performance is positive for large firms; therefore, large board size may be an optimal value maximizing outcome for those firms.

2.2.2 Board Gender Diversity members and insurer's financial performance

According to Enobakhare (2010), board diversity is the mixture of men and women, people from different age groups, people with different ethnic groups and racial backgrounds. The topic is highly debatable that puts more emphasis on, gender diversity, i.e. the inclusion of women on corporate boards of directors, considered as an instrument to improve board variety and thus discussions. It is computed as the total number of women in the board over the board size over a period. Boards are concerned with having right composition to provide diverse perspectives. Women representation on boards provides some additional skills and perspectives that may not be possible with all-male boards (Boyle and Jane, 2011).The management may be less able to manipulate a more heterogeneous board to achieve their personal interests. Gender diversity is associated with effectiveness in the oversight function of boards of directors which may be more effective if there is gender diversity on board. According to the stakeholders" theory, diversity also provides representation for different stakeholders of the firm for equity and fairness (Keasey et al., 1997). From resource dependency perspective, the board is a strategic resource, which provides a linkage to various external resources (Walt and Ingley, 2003). These all are facilitated by board diversity.

2.2.3 Business Management Experience of Directors members and insurer's financial performance

Business management experience of directors enables them to have better knowledge and understanding about business and enable to contribute effectively in the decision making process as well as in effectively monitoring the activities of management (Saat et al. 2011). Directors need to be competent and capable of understanding the business operation. Kroll, et al (2008) found that board rich in appropriate experience are associated with superior returns.

He argues that board comprising directors with appropriate knowledge gained through experience can be not only better monitors, but also more useful advisors to top managers. According to Castanias et al. (2001), differences between firms in the human capital of boards of directors are related to differences in strategic actions and performance. However, empirical studies examining the effect of business experience of board members on firm performance is scarce based on the above discussion the following hypothesis were tested.

2.2.4 Board subcommittee size and insurer's financial performance

For overcoming agency problem corporate board subcommittees are one of the main over sighting mechanisms (Hermalin and Weisbach, 2003). To perform over sighting more effective and to run other tasks which are more related to serious agency cost like setting CEO remuneration, participating external auditors, and selecting CEO the board should be organized into different subcommittees (Colgan, 2001). The empirical evidence for the impact of Board subcommittee's and financial performance are little much concentrated in developed countries with organized market.

Mozes and New man (1999) examined that some agency costs were higher if subcommittees are less as a result reduce the corporate financial performance. The size of Board subcommittees are significant in predicting corporate financial performance among five hundred firms from 1992-1993. These committees performed their responsibility independently from one another and they are accountable to the board (Rezaee, 2009).

The board subcommittee size and independence are more important than the composition of the board in terms of financial performance. In order to establish more effective internal control the audit committee has to increase the number of audit committee members that results better performance of the company.

For accomplishing the responsibilities required to be achieved by the members of audit committee, the audit committee members must have the required competency or knowledge. Additionally the audit committee members should pass through necessary consideration for the effective discharge of its duties as well as better performance of the company (Cadbury, 1992).

Kalbers and Fogarty (1993) also analyzed the effect of audit committee size on the financial performance indicates that the larger committee size has a greater performance, status and authority. Like Kalbers and Fogarty (1993), and Karamanou and Vafeas N. (2005) investigate the relationship of audit committee size and the performance of the company as well as the status of the company.

The result of the study indicates that a wider knowledge base provided by a larger audit committee size. Contrast to those findings some studies like Karamanou and Vafeas (2005) examined that when we have a larger audit committee size we can suffer from process losses as well as diffusion of responsibility if it becomes too large. As of CMA and BRC (1999) the minimum of three audit committee members from the board of directors have to be included this corporate governance report consistent with the National Bank of Ethiopia Directive No. SIB /---/2015.

2.2.5 Meeting frequency of the board and insurer's financial performance

The empirical findings in the effect of meeting frequency of the board on the financial performance show mixed results. To oversight and monitor management performance, the board must deal regular meeting. So for measuring the effectiveness of corporate monitoring and oversight, it is based on the board of directors meeting frequency (Jensen, 1993). Let see the empirical findings, there are mixed views about the effect of board meetings and corporate performance. According to Vafeas (1999), repeated board of directors meeting can leads to higher qualities of management supervising that in turn result positive effect on corporate financial performance.

As consistent with Vafeas (1999), Ntim and Osei K. (2011) suggest that the board meeting be significant resource in advancing the effectiveness of the board of directors. As per Marimuthu (2008), point outs that board of directors has to be informed and keep abreast with the development with the organization. Regular meetings of the board also help directors to sit and strategize on how to move the organization forward.

According to Lipton and Lorsch (1992), regular meetings enable directors to interact thereby creating and strengthening cohesive bonds among them. As a result higher frequency of board meetings will result in a higher quality of managerial monitoring. Regular meetings allow directors to have more time to set strategy and to appraise managerial performance (Vafeas, 1999).

Whereas Business Roundtable (2016) states that the board of directors, with the assistance of the nominating/corporate governance committee, should consider the frequency and length of board meetings. Longer meetings may permit directors to explore key issues in depth, whereas shorter, more frequent meetings may help directors stay current on emerging corporate trends and business and regulatory developments.

2.2.6 Educational qualification of the board members and insurer's financial performance

Educational qualification of the board members refers to the board members competency expresses the skill and knowledge of the board members. These qualifications of individual board members are important for making better decision. Board members with higher qualifications benefit the firms through a set of competencies and capabilities which helps in creating different perspectives to decision making. The higher the number of educated directors in the organization contexts is positively related to egger to innovation, creativity, and better strategic decision making. The board of director's educational qualifications is essential to effectively interpret and utilize the information provided by the management of the company (Abdurazak, 2017).

Educational qualification is important, since the ability to seek and translate appropriate information is essential for the efficient operation of the modern corporation and the effective control or guidance of management by boards of directors. It affects the control and monitoring role of boards of directors (Gantenbein and Volonte, 2011).

2.2.7 Firm leverage and insurer's financial performance

Capital structure is the main concern of corporate finance. Capital structure determine to what extent the firms has to be financed with debt compared to equity. Miller and Modigliani (1961) developed their assumptions about taxes. The reason of tax advantage in interest paid on the debt financing, increase debt financing with the benefit the firm received in tax shield. But by increasing debt financing firms might become challenged with bankruptcy because of increasing distress cost. So by considering the two concepts into account which are the tax shield and the financial distress cost Miller and Modigliani (1958) states the U shaped relationship that can be anticipated between the amount of leverage and firm performance.

According to the thought of Modigliani and Miller, a firm's value is untouched by the way that the firm financially structured, e.g. whether the firm is financed by debt or equity. However, one of the assumptions under which they state this theorem holds, the absence of bankruptcy cost, is known to be untrue in real life. When the assumption of the absence of taxes is relaxed, the fact that companies can benefit from the so called tax shield can be taken into account (Hillier, Clacher, Ross, Westerfield and Jordan, 2011).

2.2.8 Firm liquidity and insurer's financial performance

The aim of liquidity management should be to empower a firm to maximize profits of its operations while meeting both short term liability and upcoming operating expenses, i.e. we have to preserve liquidity (Panigrahi, 2014). To attain this goal, the firm should exclude the risk of incapability to meet its short term liability on one hand, in another dimension avoid excessive investments in current assets on the other hand (Eljelly, 2004).

From this perspective, the contradiction between liquidity and profitability has been a critical field of study in corporate finance. The empirical findings of Jose, Lancaster and Stevens (1996), Shin and Soenen (1998), Churchill and Mullins (2001), shows that efficient liquidity management in terms of shorter Cash conversion cycle is linked with higher profitability.

According to Padachi (2006), assessed the impact of trends in liquidity management on firm financial performance for the sample of 58 Mauritian small manufacturing firms, his findings depicts that the firm is required to retain stability between liquidity and profitability when engaged in conducting its day to day operations.

2.2.9 Firm size and insurer's financial performance

The size of a firm refers the amount and variety of production capacity and ability of firm to possess or the package and the variety of services a firm can offer concurrently to its customers. The size of a firm is critical factor for determining the profitability of a firm due to the concept known as economies of scale, which can be launched in the traditional neo classical view of the firm. It discloses that contradictory to smaller firms, items can be produced on much lower costs by bigger firms. In agreement with this concept, a positive link between firm size and profitability is anticipated. Against to this, many theories of the firm's support that larger firms come under the control of managers choosing self-interested goals, therefore managerial utility maximization function may shadow profit maximization of the firms' objective function.

The role that the firm size employs in profitability of corporate companies was investigated by Lee (2009) who used fixed effect dynamic panel data set model and performed analysis on a sample of more than 7000 US publicly-held firms. As of Lee (2009), absolute firm size plays a magnificent role in explaining profitability. In consistent with this, Jonsson (2007) has examined the relation between profitability and size of the firms operating in Iceland. The results of the analysis indicated that bigger firms have higher profitability as compared to smaller firms.

2.2.10 Dividend Policy and insurer's financial performance

This section mentioned the relationship of dividend policy of the company and the company's financial performance. For the last many years dividend policy has been analyzed, but it is without universally applied explanation for companies practical dividend behavior has been formulated (Samuel K.A. and Edward M.Y, 2011).

Incorporate finance literature the behavior of dividend policy is the most problematic issue and yet it continuous to be problematic in both developed and emerging markets (Hafeez and Attiya, 2009). According to Pruitt S.W. and Gitman L.W. (1991), prior year's dividend, the growth of earnings, the year to year variability, and the current and the past years profits are the important factors for the amount of dividends paid.

Whereas, Miller and Modigliani argued that the dividend payment policy is irrelevant, related to the cost of capital and values of the firms especially in the state of excluding taxes or transaction cost. They demonstrated that when investors create income in the way of selling and buying shares the required return expected to motivate investors to hold the company shares will be changeless to the way of the company dividend packages and the new issues of shares.

Based on that the choice of dividend payment policy is not affect the firm's assets, investment opportunities, expected future cash flows and the cost of capital. The market value is also unaffected by any change in the companies payout pattern. Thus, dividend payment policy of the company is irrelevant and companies can choose any dividend payment policy pattern without affecting their values. The Modigliani and Miller theory indicates that dividend payment policy can fluctuate or change as a byproduct of the company investment and financing mix decision. This will not indicate a systematic pattern over a time. Generally as per Miller and Modigliani (1961), the firm's value is determined only by its basic earning power and its business risk.

2.3 Conceptual Frame work of the Study

A number of studies have sought to investigate the relation between corporate governance mechanisms and financial performance such as Masood (2011), George and Johnson (2014) and Robert (2013). Most of the studies have showed mixed result without clear cut relationship. Based on this result, the study investigates that corporate governance matters to a company performance. But the most important point is that corporate governance is the only means for companies to achieve corporate goals and strategies. Therefore, companies have to improve their strategies to effectively implement corporate governance practices.

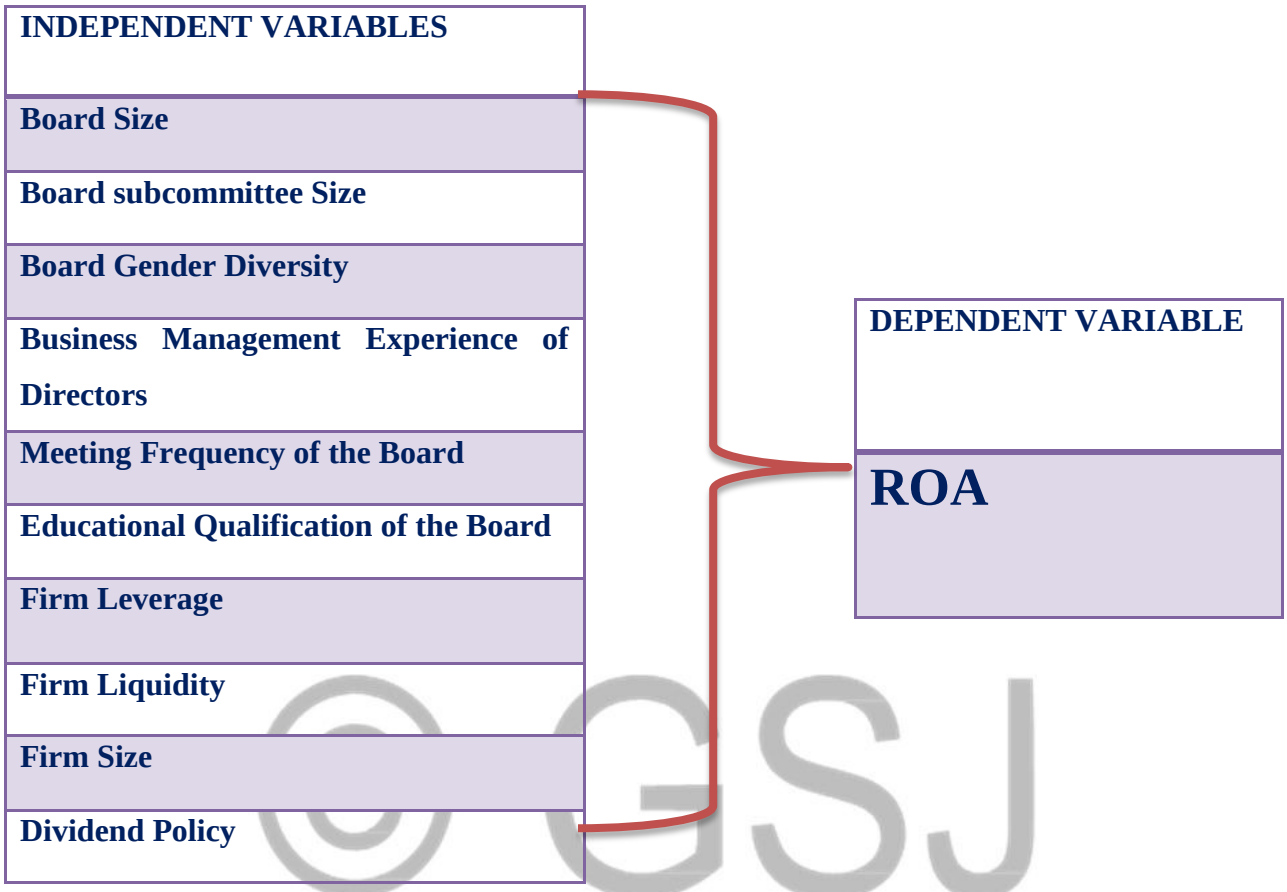
So companies have to investigate what their corporate governance policy and practice has to be (David and Shahla, 2011). Many studies in corporate governance such as Esra and Allam (2015), Masood (2011), Bawalya (2009); George and Johnson (2014) have done their work in huge companies with those countries that have organized market and exchange.

Corporate governance in Ethiopia was not much studied; some studies previously conducted in case of Ethiopia were concentrated in financial institutions specifically in commercial banks. In those studies corporate governance basic mechanisms were not covered sufficiently well and the numbers of observation were restricted in those studies. Kibrysfaw (2013) examined the effect of corporate governance on the financial performance of commercial banks by taking nine commercial banks out of eighteen commercial banks in Ethiopia. However, his study not covered basic corporate governance mechanism like educational qualification of the board, firm size, the dividend policy of the company and firm leverage.

Even if a study done by Abdurazak (2017) tried to assess those issues in corporate governance in a relatively wider manner in terms of including corporate governance mechanisms than Kibrysfaw (2013) and Bonsa (2015), he also missed some important corporate governance mechanisms such as Board size, firm size, the dividend policy of the company and firm leverage. Abdurazak (2017) assessed the effect of corporate governance on financial performance of private commercial banks in Ethiopia.

The result of his paper showed that liquidity ratio and financial performance of private commercial banks have a negative relationship but with insignificant level. Meeting frequency and board ownership have a positive but with insignificant effect on the performance of private commercial banks. Except Bonsa (2015) study which entitled as the impact of corporate governance on financial performance of some selected insurance companies in Ethiopia, both Kibrysfaw (2013) and Abdurazak (2017) performed their studies on commercial banks.

Figure 2.1 Conceptual Frame work of the Study



Source: The Researcher Own Design

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research Design

The type of research design appropriate for this study was explanatory research design. Explanatory research design justifies the effect of certain variables on other dependent variables. This contributes to the current knowledge (Yogesh and Singh, 2006). The research approach which was employed under this study is mixed research approach that includes both quantitative and qualitative research that help for testing the existing thought among variables.

3.2 Target Population and Sample of the Study

There are 17 insurance companies which are licensed and operating in Ethiopia as of National Bank of Ethiopia in 2018. In contrast, to undertake a regression analysis eleven insurers were selected using purposive sampling method. Hence, the samples were selected to represent the relevant attributes of the whole population. The basis for selection is the age of the insurers, since cut of the date for this study is 2008 G.C. Those insurers which were established after 2008 G.C excluded. Therefore, this study incorporated only eleven insurance companies that have financial statements for the year 2008 G.C and onwards for a regression analysis of regression variables. Thus, to make the balanced panel data structured, every cross section follows the same regular frequency with the same start and end dates. Besides, ten years is assumed to be relevant because five years and above is the recommended length of data to use in most finance literatures.

3.3 Data Type and Source

This study used both primary and secondary sources of data which are basically more quantitative and qualitative in nature. Data for Board size, board meeting frequency, the number of board sub committees, board gender diversity, business management experience and the board members educational qualification are obtained through questionnaire administered to insurers CEOs/Presidents or board secretaries. Secondary data was taken from audited financial statement of some selected insurance companies in Ethiopia, which is obtained from National Bank of Ethiopia (**NBE**). These financial reports were used for computing the financial performance of insurers or their ROA. Panel data set which covers ten years from 2008-2017 was used for this study. The situation often arises in financial modeling where having data comprising both time series and cross-sectional elements, and such a dataset would be known as a panel data or longitudinal data. The additional variation introduced by mixing the data in this way can also help to mitigate problems of multicollinearity that may arise if time series are modeled individually (Chris, 2008). Panel data regression models are being increasingly used by researchers in many fields since the panel data provides very useful information on the dynamics of variables behavior and by merging time series of cross-section observations, panel data provides more informative data, more variability, less collinearity among variables, more degrees of freedom and more efficiency (Gujarati, 2004).

3.4 Method of Data Collection

The primary data was collected through questionnaires administered to insurers CEOs/Presidents or board secretaries to get data for board size, board meeting frequency, the number of board sub committees, the board members educational qualifications, business management experience of board members and gender diversity in the board. To get data for firm size, liquidity, leverage and dividend payment policy audited financial statements of insurers were used. This secondary data was accessed from the National Bank of Ethiopia.

3.5 Definition and Measurement of Variables

3.5.1 Dependent variable

3.5.1.1 Return on Asset (ROA)

This indicator is selected as it shows how profitable a company is relative to its total assets, and it gives an indication on how well a firm is able to transfer the invested capitals into financial revenues. ROA is considered as an indicator of the performance of the firm's internal management as it includes investors' equity and drawings (Asma, 2010). ROA was calculated by dividing the net income (after the deduction of interest and tax) by total average assets.

$$\mathbf{ROA} = \frac{\mathbf{profit\ after\ tax}}{\mathbf{Total\ Asset}}$$

3.5.2 Independent variables

3.5.2.1 Board size: Board size measured by the number of board of director members in each insurer.

3.5.2.2 Board Subcommittee Size: It is the various numbers of subcommittees in some selected insurance companies in Ethiopia. It is calculated by the total number of internal board sub-committees in the board of Ethiopian insurers at the end of the period.

3.5.2.3 Board Gender Diversity: It is one of the proxies used for the corporate governance and it was measured as the percentage of the number of female directors divided by the total number of board members.

3.5.2.4 Business Management Experience of Directors: Is measured by the number of directors who have other directorial ship responsibility in other sectors divided by total number of directors.

3.5.2.5 Meeting Frequency of the Board: Meeting frequency is measured by the number of times a board meets in a year.

3.5.2.6 Educational qualification of board members: It is measured by Proportion of board members who had college degree or higher qualification in business management and accountancy related fields to the total number of board members.

3.5.2.7 Firm Leverage: The Leverage Ratio is measured by:-

$$\textbf{Leverage Ratio} = \frac{\textbf{Total liability}}{\textbf{Total Asset}}$$

3.5.2.8 Firm liquidity: The liquidity position of a company was measured by quick ratio. The quick ratio establishes a relationship between quick or liquid assets and current liabilities.

$$\textbf{Quick Ratio} = \frac{\textbf{Current Asset} - \textbf{Inventory}}{\textbf{Current Liability}}$$

3.5.2.9 Firm Size: In this study, natural logarithm of total asset was used as a proxy for firm Size.

3.5.2.10 The Dividend Policy of the Company: The dividend policy of the company will determine whether dividend should be paid, and if so in what amount. Most companies are a set of policies with respect to dividend payment but the firm directors can change this amount based on the a significant increase or decrease in earning. It going to be calculated by dividend payout ratio as follows;-

$$\textbf{Dividend Payout Ratio (DPR)} = \frac{\textbf{Current Year Dividend}}{\textbf{Net profit after tax}}$$

3.6 Specific Model for the Study

$$ROA_{it}=\alpha + \beta 1BS_{it} + \beta 2BSC_{it} + \beta 3BGD_{it} + \beta 3BME_{it} + \beta 3MFB_{it} + \beta 4EQB_{it} + \beta 5FS_{it} + \beta 6FLEV_{it} + \beta 7FLIQ_{it} + \beta 8DP_{it} + \varepsilon$$

Where: -ROA, is the Dependent variable (Return n Asset) of insurance i for time period t.

$\mathbf{BS_{it}}$ represents the Board size of insurance i for time period t.

$\mathbf{BSC_{it}}$ represents the Board subcommittee size of insurance i for time period t.

$\mathbf{BGD_{it}}$ represent the Board Gender Diversity of insurers i for time period t.

$\mathbf{BME_{it}}$ represent the Business Management Experience of Directors in insurers i for time period t.

$\mathbf{MFB_{it}}$ represents the meeting frequency of the board of insurance i for time period t.

$\mathbf{EQB_{it}}$ represents the educational qualification of the board of insurance i for time period t.

$\mathbf{FS_{it}}$ represents the firm size of insurance i for time period t.

$\mathbf{FLEV_{it}}$ represents leverage of insurance i for time period t.

$\mathbf{FLIQ_{it}}$ represents Liquidity of insurance i for time period t.

$\mathbf{DP_{it}}$ represents the Dividend Policy of insurance i for time period t.

$\boldsymbol{\varepsilon}$ represents the error term.

3.7 Method of Data Analysis

The data collected was analyzed by using descriptive statistics, correlation and multiple panel linear regression methods. The descriptive statistics is used for the frequency distribution, such as the percentage, the mode and the median, but the main focus is on description, rather than examining relationships or associations (Ranjit, 2011). Because of this reason correlation and (OLS) regression analyses method needed. The primary objective of Correlation analysis is to measure the strength or degree of linear association between two variables. But in correlation analysis, on the other hand, we treat any (two) variables symmetrically; there is no distinction between the dependent and explanatory variables. In regression analysis there is an asymmetry in the way the dependent and explanatory variables are treated so the strength or degree of linear association between two variables will be known (Gujarati, 2004). The least square was conducted using **Stata$_{13}$** econometric software package for analysis and the results were presented in tables and figures. In addition, for the purpose of this study, diagnostic tests like: Test for Heteroscedasticity, Test for Autocorrelation, Test for normality and Test for Multicollinearity was performed to ensure whether the assumptions of the CLRM are violated or not in the model. This study used panel data framework for analyzing the data.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the result of the classical linear regression model assumptions and diagnostic tests, descriptive statistics result of a regression variables, the correlation analysis among regression variables, the analysis for identifying fixed effect model or random effect model and multiple panel linear regression analysis and discussions were covered for the study variables.

4.2 Impact of Corporate Governance on the Financial Performance of Insurers

4.2.1 Descriptive Statistics of Regression Variables

This section discussed the summary statistics of each Explanatory variables and Dependent variable as well as control variable in panel data set of some selected insurance companies in Ethiopia from the years 2008 to 2016. Accordingly, the descriptive statistics for all variables are presented under table 59. It includes mean, standard deviation, minimum and maximum values of regression variables those are ROA for dependent variable: board size, the size of board subcommittees, meeting frequency of the board, educational qualification of board members, firm size, leverage and liquidity as explanatory variables and dividend policy as control variable. The researcher conducted descriptive statistics using $STATA_{13}$ software in order to get more reliable information about regression variables that are being analyzed. The average mean value indicates the average number of all dependent as well as independent variables. Standard deviation has been used to investigate the degree of variation among in all variables.

Table 1: Descriptive Statistics result of Regression Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	110	.1095191	.1275774	0	.92
Bsize	110	7.818182	1.491147	5	9
DPR	110	.2806673	.4525135	0	2
BGD	110	.5660909	.0876505	.22	.78
BME	110	1.340897	6.222197	.51	66
Boardsubco~s	110	3.363636	.6457663	3	5
meetingfre~y	110	20.08182	11.59336	3	61
leverage	110	.6361727	.155039	.045	.87
liquidity	110	1.364018	2.557348	.11	20.35
educationa~n	110	.8384636	.1905564	.4	1
firmsize	110	8.484182	.4286428	7.26	9.44

Source: STATA$_{13}$ out put

As presented in the above table, the averages mean value of ROA for the sample of insurance companies in Ethiopia is 10.95% with a minimum of 0 means no profit and with a maximum of 92%. Therefore, the highest Ethiopian insurance companies achieved a profit of 92 cents per a birr invested in the asset. The list profitable insurer got 0 profit per asset invested. The standard deviation of ROA is 12.75 % from the average mean value of insurers. As a result, there is a large variation in profitability of Ethiopian insurance companies.

4.2.2 Correlation among Regression Variables

Under this section correlation analysis and discussions are included in order to investigate the relationship among the variables of corporate governance and the financial performance measure of insurers that is ROA. The correlation coefficients show the extent and direction of the linear relationship between financial performance correlation coefficients and the variables of corporate governance such as the size of the board, board gender diversity, business management experience of board members, board subcommittees, meeting frequency of the board, educational qualification of board members, firm size, firm leverage, firm liquidity and the

dividend policy of the company. The study used Pearson's correlation coefficient matrix generated through the STATA$_{13}$ software. The range of this correlation analysis is -1 to +1 and any value different from zero indicates some correlation among variables or relationship among variables. Additionally these correlation coefficients are useful for identifying any collinearity among explanatory variables. So correlation is a statistical technique used to determine the degree to which two variables are related. The correlation coefficient results are presented below in the table 13 below:-

Table 2: Pearson Correlation Matrix

	ROA	Bsize	DPR	BGD	BME	Boards~s	meetin~y	leverage	liquid~y	educat~n	firmsize
ROA	1.0000										
Bsize	-0.0442	1.0000									
DPR	0.0391	0.2291	1.0000								
BGD	-0.0603	0.0667	-0.1730	1.0000							
BME	0.0081	-0.1228	-0.0645	0.2373	1.0000						
Boardsubco~s	0.2007	0.3551	0.0500	0.2479	-0.0586	1.0000					
meetingfre~y	0.0044	0.5087	0.2002	-0.2387	-0.1097	0.0879	1.0000				
leverage	-0.4517	0.0204	-0.1497	-0.1743	-0.0433	-0.1915	0.0218	1.0000			
liquidity	0.5382	0.0184	0.0247	-0.1315	-0.0031	0.1733	0.0242	-0.6375	1.0000		
educationa~n	0.0944	0.2631	0.2743	-0.4170	-0.0210	0.0158	0.4836	-0.0756	0.0596	1.0000	
firmsize	-0.0324	0.1361	0.2945	-0.3157	-0.0714	0.0478	0.2918	0.0277	-0.1343	0.1685	1.0000

Source: STATA$_{13}$ out put

By taking ROA as dependent variable and other governance variables as explanatory or independent variable the correlation analysis is done. As we can see in the above table, correlation coefficient shows the extent of linear relationship among considered corporate governance variables of some selected Ethiopian insurance companies.

The correlation matrix in the above table depicts that the relationship of ROA with board size that results a negative correlation this also happened for board gender diversity and leverage. However, board subcommittees, meeting frequency of board, educational qualification, board business management experience, liquidity and dividend payout, have a positive association with ROA. As per this result, the researcher investigates that when insurance companies increase their financing by borrowing then the firm leverage value will increase resulting ROA to be decrease. However, firm liquidity has a positive relationship with ROA of insurers in Ethiopia. Consequently, when Ethiopian insurers keep high liquid asset that will associate with ROA increment. In general, the correlation analysis shows only the direction and degree of association between variables and it does not permit the study to make causal inferences regarding the relationship between the identified corporate governance variables and ROA. So the study conducted a regression analysis in the next section for making casual inference regarding those governance variables and financial performance measure.

4.2.3 Regression Results and Discussion

This section of the study presents the results and discussions of the regression output. In order to examine the impact of corporate governance elements on sample Ethiopian Microfinance institutions financial performance panel linear regression model was estimated. The regression analysis enables the researcher to empirically test the proposed hypothesis and to achieve the research objective. The method of least squares has some very attractive statistical properties that have made it one of the most powerful and popular methods of regression analysis (Gujarati, 2003). Thus, by conducting the appropriate diagnosis tests Random-effect Model estimation was used in the model.

4.2.3.1 Diagnostic tests of the data set

The data sets were tested for the classical linear regression model assumptions before running the model. As per Brooks (2008), it suggested that four critical assumptions that must be met before utilizing OLS estimation in order to validly test the hypothesis and estimate the coefficient. The classical linear regression model assumptions and their diagnostic tests are discussed below.

Before checking all the assumptions the researcher has to see the strength of data set:-

Table 3: The strength of panel data set

```
panel variable:  company (strongly balanced)
 time variable:  year, 2008 to 2017
         delta:  1 unit
```

Source: STATA$_{13}$ out put

Assumption 1: The Mean of the Disturbances is Zero (E (ε) = 0)

The mean of the disturbances will always be zero provided that there is a constant term in the regression. If a constant term is included in the regression equation, this assumption will never be violated. So that in the models of this study a constant term is included. As a result this assumption was not violated.

Assumption 2: Homoscedasticity (Variance of the Errors is Constant)

This test is conducted to check one of the assumptions of the CLRM, that the error terms appearing in the population regression function are homoscedastic; that is, they all have the same variance. If the errors do not have a constant variance, they are said to be heteroscedastic.

To test for heteroscedasticity, the researcher used White's test in stata$_{13}$ the statistic have a p-value of more than 0.05, the test statistic give conclusion that there is no evidence for the presence of heteroscedasticity.

Table 4: Breusch-pagan test for Heteroskedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: Bsize DPR BGD BME Boardsubcommittes meetingfrequancy leverage liquidity educationalqualification firmsize

chi2(10) = 3.19

Prob > chi2 = 0.9766

Source: STATA$_{13}$ out put

As we can see from the above result the p-value is not significant or not less than 5 percent, so we can understand that accepting the null hypothesis is appropriate.

Another test for heteroskedasticity is white test;-

Table 5: White Test

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	66.78	65	0.4156
Skewness	7.55	10	0.6730
Kurtosis	1.47	1	0.2247
Total	75.80	76	0.4848

Source: STATA$_{13}$ out put

Lm-test is executed for white test of heteroskedasticity as well as the normality of those variables. Since the p-value is in all case not significant or not less than 5 percent, so there is no heteroskedasticity and normality problem in those panel data set.

Assumption 3: Covariance between the Error Terms over Time is Zero

This assumption test will be conducted when the errors are linearly independent of one another or uncorrelated with one another. If the errors are correlated with one another, it would be stated that they are auto correlated (serially correlated).

Table 6: Durbin-Watson (D-W)

Dw-stat		**The result of test statistics**
Durbin-Watson	d-statistic(9, 90)	1.956905

Source: STATA$_{13}$ out put

Accordingly, the critical value for the test are dL = 1.445 and dU = 1.88 at 5% significance level. So **(4-d)** =4-1.96 =**2.04** this result indicates **4-d** is greater than **DU** and not less than **dL** therefore, the null hypothesis of no autocorrelation is within the non-rejection region and thus there is no evidence for the presence of autocorrelation.

Table 7: Breusch-Godfrey Serial Correlation LM

Breusch-Godfrey LM test for autocorrelation			
lags(p)	**chi2**	**Df**	**Prob > chi2**
1	**0.036**	**1**	**0.8486**
Ho: no serial correlation			

Source: STATA$_{13}$ out put

Durbin-Watson is a test for first orders autocorrelation. It tests only for a relationship between an error and its immediate previous value. Therefore, in addition to DW test it is desirable to examine a joint test for autocorrelation that will allow examination of the relationship between error term and several of its lagged values at the same time. Thus, Breusch-Godfrey test was also conducted for the model and found no problem of autocorrelation for the model, meaning that p-value of the test resulted 0.8486 which is greater than 0.05.

Assumption 4: Normality Test (Errors are Normally Distributed)

This test is performed to confirm the assumption of CLRM which states that the disturbances terms are normally distributed. The first test is Jarque Bera test of normality of residuals;-

Table 8: Jarque Bera test

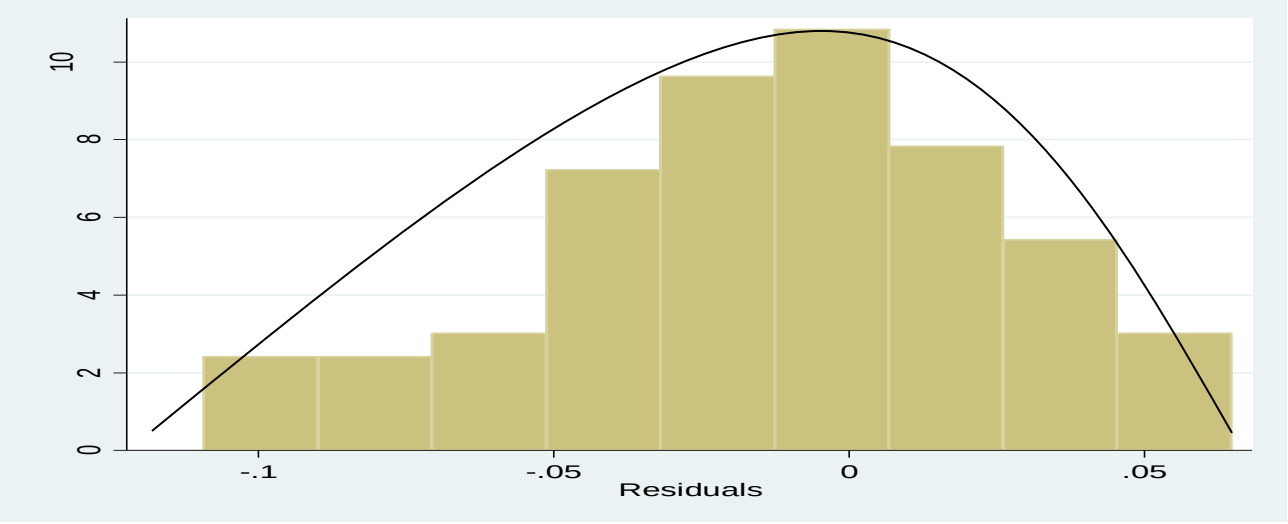
Skewness/Kurtosis tests for Normality

				joint	
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
resid	105	0.2035	0.3819	2.44	0.2951

Source: STATA$_{13}$ out put

Since the p-value is not significant or not less than 5 percent we can accept null hypothesis, the residuals are normally distributed. Another way is observing the shape of histogram of residuals;-

Figure 4.1: Histogram of Residuals



Source: STATA$_{13}$ out put

As we can see from the above graph its like bell shaped so the residuals are normally distributed.

Assumption 5: Multicollinearity Test

The other Assumption of the CLRM is that there is no multicollinearity among the explanatory variables included in the regression model. When the explanatory variables are highly correlated with each other there is a problem known as multicollinearity. Multicollinearity in the regression model suggests substantial correlations among independent variables. Multicollinearity problems exists when the correlation coefficient among variables is greater than 0.9.

The method used in this study to test the existence of multicollinearity was checked by the Pearson correlation between the independent variables. Accordingly, all correlation results are below 0.9, which indicates that multicollinearity is not a potential problem for this study.

Table 9: Pearson Correlation Matrix

	ROA	Bsize	DPR	BGD	BME	Boards~s	meetin~y	leverage	liquid~y	educat~n	firmsize
ROA	1.0000										
Bsize	-0.0442	1.0000									
DPR	0.0391	0.2291	1.0000								
BGD	-0.0603	0.0667	-0.1730	1.0000							
BME	0.0081	-0.1228	-0.0645	0.2373	1.0000						
Boardsubco~s	0.2007	0.3551	0.0500	0.2479	-0.0586	1.0000					
meetingfre~y	0.0044	0.5087	0.2002	-0.2387	-0.1097	0.0879	1.0000				
leverage	-0.4517	0.0204	-0.1497	-0.1743	-0.0433	-0.1915	0.0218	1.0000			
liquidity	0.5382	0.0184	0.0247	-0.1315	-0.0031	0.1733	0.0242	-0.6375	1.0000		
educationa~n	0.0944	0.2631	0.2743	-0.4170	-0.0210	0.0158	0.4836	-0.0756	0.0596	1.0000	
firmsize	-0.0324	0.1361	0.2945	-0.3157	-0.0714	0.0478	0.2918	0.0277	-0.1343	0.1685	1.0000

Source: STATA$_{13}$ out put

Another test for checking multicollinearity is VIF.

Table 10: VIF Test

Variable	VIF	1/VIF
leverage	2.28	0.437782
liquidity	2.27	0.440753
BGD	2.17	0.460347
meetingfre~y	1.77	0.566278
Bsize	1.72	0.580243
educationa~n	1.72	0.582836
firmsize	1.40	0.715536
Boardsubco~s	1.32	0.755959
DPR	1.25	0.803055
BME	1.13	0.885561
Mean VIF	1.70	

Source: STATA$_{13}$ out put

Since all the variables VIF is less than 10 also 5 there is no multicollinearity problem in this panel data set.

4.2.3.2 Fixed effect Versus Random effect

Random vs. Fixed effect Model test summary

H0: Random effect model is appropriate

H1: Fixed effect model is appropriate

The pooled OLS model doesn't give consideration for the various insurance companies under consideration and the panel structure of the data. Which will combine 11 insurance companies; consider all observation together run the regression by neglecting the cross section as well as the time serious nature of the data. Fixed effect model allows for heterogeneity or individuality among 11 insurance companies by allowing having its own intercept value, but the intercept does not vary over time. In Random effect model the 11 insurance companies have a common mean value for the intercept. Therefore, it is necessary to determine whether the fixed effect or random effect approach is appropriate.

A common practice in corporate governance research is to make the choice between both approaches by running a Hausman test. The Hausman test result shows that the p-value of the test summary is 60.09 percent meaning that the null hypothesis is accepted that the Random Effect Model is appropriate.

For accepting or rejecting the null hypothesis let's see Hausman test;-

Table 11: Hausman test result


```
. hausman fixed .
```

	Coefficients (b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
Bsize	.0066743	-.0018091	.0084834	.002998
DPR	-.0262919	-.0105636	-.0157283	.
BGD	.2082974	.0400252	.1682722	.0470293
BME	.00042	.0003954	.0000246	.
meetingfre~y	.0002313	.0002203	.0000111	.0005098
leverage	.0213702	-.0666294	.0879996	.0092279
liquidity	.0227827	.0218645	.0009182	.
educationa~n	.1277348	-.01034	.1380749	.0297577
firmsize	-.0048123	.0244151	-.0292274	.0045924

```
                b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                chi2(9) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                        =         7.35
              Prob>chi2 =       0.6009
              (V_b-V_B is not positive definite)
```

Source: STATA$_{13}$ out put

Since the p-value is not significant, rejecting the null hypothesis is not acceptable. So the model is Random effect model for the regression result.

Table 12: Regression Result of Corporate Governance Variables

```
Random-effects GLS regression                   Number of obs      =       105
Group variable: company                         Number of groups   =        11

R-sq:  within  = 0.7788                         Obs per group: min =         8
       between = 0.8844                                        avg =       9.5
       overall = 0.7940                                        max =        10

                                                Wald chi2(10)      =    362.29
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000
```

ROA	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
Bsize	-.0018091	.0027441	-0.66	0.510	-.0071874	.0035693
DPR	-.0105636	.0073885	-1.43	0.153	-.0250449	.0039177
BGD	.0400252	.0527355	0.76	0.448	-.0633344	.1433848
BME	.0003954	.0005084	0.78	0.437	-.000601	.0013918
Boardsubccmmittes	.0102674	.0054701	1.88	0.061	-.0004539	.0209886
meetingfrequancy	.0002203	.0003416	0.64	0.519	-.0004493	.0008898
leverage	-.0666294	.0303141	-2.20	0.028	-.1260439	-.0072149
liquidity	.0218645	.0017889	12.22	0.000	.0183583	.0253708
educationalqualification	-.01034	.0215717	-0.48	0.632	-.0526198	.0319397
firmsize	.0244151	.0091559	2.67	0.008	.0064699	.0423603
_cons	-.140634	.1049171	-1.34	0.180	-.3462677	.0649998
sigma_u	0					
sigma_e	.02608867					
rho	0	(fraction of variance due to u_i)				

Source: STATA$_{13}$ out put

As per **table 23**, the R^2 for model is **0.7940**. About **(79.4%)** of variation in ROA was explained by the independent variables of this study. In other words, only **21.60%** of variation in ROA is due to other factors that are not included in study. Additionally, the R^2 result indicates the overall goodness of fit of the model used in this study. Furthermore, Prob > chi2 = 0.0000. The p-value indicates that the model is significant. Therefore, that all the coefficients are jointly zero is rejected. Hence, the change in dependent variable is well explained by the change in the independent variables of the model.

The regression result shows that a ***negative*** coefficient association between board size and ROA of insurers but board size affect ROA of Ethiopian insurers ***insignificantly***. As a result board size had insignificant impact on the financial performance of Ethiopian insurance companies. Thus, the hypothesis that states Board size has no impact on financial performance insures **accepted**. This result is consistent with Bonsa (2015) and Kibrysfaw (2013).

The second regression variable is the dividend payout ratio, the regression result depicts that dividend payout ratio had a ***negative*** impact on ROA of insurers but it is ***insignificant***. So the null hypothesis which states that board subcommittee size has no impact on financial performance is **failed to reject**. This finding is inconsistent with the finding of Amidu (2007).

The third regression variable is the board gender diversity, the regression result depicts that board gender diversity had a ***positive*** impact on ROA of insurers but it is ***insignificant***. So the null hypothesis which states that board subcommittee size has no impact on financial performance is **failed to reject**.

The above regression results reveal that the board members business management experience has ***insignificant positive*** influence on insurers ROA. Therefore, the result signifies that board members business management experience is not a vital factor that increases the insurer's financial performance. So the null hypothesis which states board members business management experience has no impact on financial performance **fails to reject**.

Another variable in the regression is the size of board subcommittees, the regression result depicts that board subcommittees had a ***positive*** impact on ROA of insurers it is ***significant*** at 10% level of sig, with a p-value of 0.061. So the null hypothesis which states that board subcommittee size has no impact on financial performance is **reject.**

The regression result shows that meeting frequency of the board. From the regression result meeting frequency of the board has no impact on the financial performance of insurers, because meeting frequency of the board has a **positive** ***insignificant*** result. Meaning that the null hypothesis which states meeting frequency of the board does not have impact on Ethiopian insurer's financial performance is **accepted**. This result is consistent with Abdurazak (2017) and Bonsa (2015) findings.

Another variable in the regression is firm leverage. From the regression result firm leverage has a ***negative***. The p-value is 0.028 indicates the coefficient is ***significant.*** Hence, firm leverage has a significant impact on the financial performance of some selected insurers in Ethiopia. Thus, the hypothesis that states leverage has no impact on financial performance of sampled insures in Ethiopia is **rejected.** This finding is consistent with the findings of Mistre (2015) and inconsistent with Jensen (1986) proposes a positive influence of leverage on firm performance.

The other regression variable is insurer's liquidity. The variable liquidity has a **positive** coefficient and statistically significant p-value of 0.000> 0.01 so it is significant at **1%** level of significant. It implies that the firm liquidity or holding better liquid asset by insurance companies has a significant impact on the financial performance of sampled insurers in Ethiopia. Thus, the hypothesis which states that firm liquidity has no impact on financial performance of sampled insures in Ethiopia is **rejected**. This finding is consistent with the findings of Muhammad (2015) he found liquidity as a positive influencer of profitability by analyzing working capital management on the profitability of seven firms listed on Niger, Mistre (2015) and Eljelly (2004).

The above regression results reveal that the educational qualification of board members has **insignificant negative** influence on insurers ROA. Therefore, the result signifies that educational qualification of board members is not a vital factor that increases the insurer's financial performance. So the null hypothesis which states educational qualification of board members has no impact on financial performance **fails to reject**.

The final regression variable firm size has a **positive** coefficient with a p-value of 0.008 which indicates that it is significant at **5%** level of significance. So increasing of the aforementioned variable will lead to increase in the financial performance of the insurance companies in Ethiopia. Therefore, the null hypothesis of which states that firm size has no impact on financial performance is **rejected**. This result is consistent with the finding of Abdurazak (2017), Belete (2015) and Mistre (2015).

Table 13: Summary of the Regression Result

No.	Variable	P-value	Relationship with (ROA)
1.	Board size	Insignificant	Negative
2.	The dividend policy of the company	Insignificant	Negative
3.	Board gender diversity	Insignificant	Positive
4.	Board Business management experience	Insignificant	Positive
5.	The number of board subcommittees	**Significant**	**Positive**
6.	Meeting frequency of the board	Insignificant	Positive
7.	Firm leverage	**Significant**	**Negative**
8.	Liquidity of the company	**Significant**	**Positive**
9.	Educational qualification of board members	Insignificant	Negative
10.	Firm size	**Significant**	**Positive**

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The objective of this study was to assess the impact of corporate governance mechanisms on the financial performance of insurers in Ethiopia. To address this important aim of the study primary and secondary data were predominantly used. Primary data was obtained from questionnaire administered to selected insurers and also secondary data was collected from the financial report of insurers covering 2008 to 2017. The findings of this study are reported in a manner which first details the descriptive statistics of a regression variables next correlation analysis and at last impact assessment of corporate governance on the financial performance of insurers in Ethiopia.

The descriptive statistics of the regression variables shows that a large variation of profitability among Ethiopian insurers. The insurer's board size, educational qualification of board members, firm size, liquidity and the number of board subcommittees are also consistent through a time. Whereas, meeting frequency of the board improved through time. Firm size has a large dispersion among insurers indicating the existence of so small as well as large insurance companies in Ethiopia. Furthermore, the firm leverage and the dividend policy of the insurers have a large variation among insurers.

The correlation analysis indicates that firm liquidity, educational qualification of board members, meeting frequency of the board, board subcommittee size, business management experience of board members and dividend payout ratio showed a positive correlation with ROA of insurers. Whereas, Firm leverage, board size and board gender diversity have a negative correlation with ROA of insurers.

The results of random effect regression revealed that firm size, board subcommittees and firm liquidity have a significant positive impact on the financial performance insurers in Ethiopia. Firm leverage also has a significant negative impact on ROA which is a financial performance measure of insurers in Ethiopia. However, board size, board gender diversity, business management experience of board members, the size of board subcommittees, the meeting frequency of board of directors, the educational qualification of board members, the dividend payment policy have insignificant effect on ROA of Ethiopian insurers.

5.2. CONCLUSION

The purposes of this study were first to examine the impact of corporate governance mechanisms on the financial performance of some selected Ethiopian insurers. Secondly, to assess the relationship of corporate governance mechanisms with financial performance measure of insurers in Ethiopia. In doing so, Ethiopian insurers operating during 2008 to 2017 were included for the analysis of 10 hypotheses. Random effect panel data model was used to estimate the regression equation. The study used the following variables as independent variable like board size, board subcommittee's size, board gender diversity, business management experience of board members, the meeting frequency of the board, educational qualification of board members, firm size, firm leverage, firm liquidity and dividend payment policy. The dependent variable ROA used as financial performance measure of insurers.

This study concludes that firm size, board subcommittee size, leverage and firm liquidity had **significant** impact on the financial performance measure of insurers.

However, board size, board gender diversity, business management experience of board members, the meeting frequency of the board, the educational qualification of board members especially in accountancy and finance, and the dividend policy of the insurers had **insignificant** impact on the financial performance of insurers measured by ROA.

5.3. RECOMMENDATIONS

This study examined corporate governance and its impact on the financial performance of selected insurance companies in Ethiopia. On the basis of the findings the following recommendations are forwarded.

Insurers should increase their firm size because as the study finds that firm size has a significant positive impact on the financial performance of insurance companies in Ethiopia. If insurers increase their company size they will realize better financial performance.

This study found that board subcommittee size has a significant positive impact on the insurer's financial performance. Consequently, Ethiopian insurance companies have to keep a good board subcommittee size as it improves their financial performance

Ethiopian insurers should adjust their leverage amount, because firm leverage has a significant negative impact on the financial performance of insurers. As insurers increase total debt keeping total asset constant the amount of insurers leverage will increase and this occasion will decrease insurer's profitability. Therefore, insurers have to adjust their leverage position.

This study found that firm liquidity has a significant positive impact on the insurer's financial performance. Consequently, Ethiopian insurance companies have to keep a good liquidity position as it improves their financial performance.

5.3.1 Directions for Future Research

For the future researches this study indicates basic and potential avenues. This study investigates the impact of corporate governance mechanisms on the financial performance of insurers in Ethiopia by using quantitative research approach more. However, future studies can add additional qualitative approach for the further investigation of corporate governance in Ethiopian insurers and to see the impact of corporate governance on the financial performance insurers in Ethiopia.

Secondly, this study assesses the impact of corporate governance mechanisms on the financial performance of some selected insurers in Ethiopia by taking ROA as a financial performance measures. Nevertheless, future researches should see the impact of corporate governance mechanisms on the other financial performance measures of insurers.

Finally, including more insurers in the sample and increasing the number of years in the observation can lead to more robust result and the relationship of corporate governance mechanisms and the financial performance of insurers can also explained further.

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Appendix I: Questionnaire

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

RESEARCH QUESTIONNAIRE

Dear Respondent;-

My name is Tewodros Engida. Right now I am conducting a research on the title 'Corporate Governance and Its Impact on Financial Performance of Insurance Companies in Ethiopia. This questionnaire is crafted to collect data for assessing Corporate Governance practices of insurance companies in Ethiopia. The data to be collected through the questionnaire is highly valuable to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential.

Thank you in advance for your cooperation!

General Instruction

1. No need to write your name.
2. Answer all the items unless you come across non applicable items.
3. Use '√' or 'X' mark for answering objective items.

Part I*:* <u>Background Data</u>

The following questions concern about your personal information. Completion of this information is voluntary and its confidentiality is assured. No individual data will be reported.

1. Your gender: Male□ Female□

2. Age 18-25 □ 26-40 □ 41-60 □ above □

3. Your highest level of education: Diploma□ Degree□ Masters □ PhD□

4. How many years of work experience in Financial Institutions?

1-5 □ 6-10 □ 11-15 □ above □

Part II*:* Please fill the number for each period for questions listed below.

S/N	Questions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1.	How many Board Members exist in your company?										
2.	The actual total number of board meetings held per year?										
3.	Numbers of sub-committees exist under the board of the Company?										
4.	Number of board members who had college degree or Higher?										
5.	The proportion of female director in the board.										
6.	The business management experience of board members.										

Thank You Once Again!!

Appendix II: List of Insurance Companies Operating In Ethiopia

No.	Insurance company	Establishment year
1.	Ethiopian Insurance Corporation	1975
2.	Africa Insurance Company S.C	1994
3.	Awash Insurance Company S.C	1994
4.	National Insurance Company of Ethiopia S.C.	1994
5.	Nile Insurance Company S.C	1995
6.	Nyala Insurance Company S.C	1995
7.	Global Insurance Company S.C.	1997
8.	The United Insurance S.C	1997
9.	NIB Insurance Company	2002
10.	Lion Insurance Company S.C	2007
11.	Ethio-Life and General Insurance S.C.	2008
12.	Oromia Insurance Company S.C.	2009
13.	Abay Insurance Company	2010
14.	Berhan Insurance S.C.	2011
15.	Lucy Insurance S.C.	2012
16.	Tsehay Insurance S.C.	2012
17.	Bunna Insurance S.C.	2013