

**EFFECT OF INSURANCE INDUSTRY PERFORMANCE ON ECONOMIC
GROWTH IN NIGERIA, 1988-2014**

BY

**IYODO, BABA YARO
PG/Ph.D/11/60215**

**DEPARTMENT OF BANKING AND FINANCE
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA
ENUGU CAMPUS**

DECEMBER, 2017

**EFFECT OF INSURANCE INDUSTRY PERFORMANCE ON ECONOMIC
GROWTH IN NIGERIA, 1988-2014**

BY

**IYODO, BABA YARO
PG/Ph.D/11/60215**

**BEING A THESIS PRESENTED TO THE DEPARTMENT OF BANKING AND
FINANCE, FACULTY OF BUSINESS ADMINISTRATION IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE
OF DOCTOR OF PHILOSOPHY (Ph.D) IN BANKING AND FINANCE OF THE
UNIVERSITY OF NIGERIA, ENUGU CAMPUS.**

SUPERVISOR: PROF. J.U.J. ONWUMERE

DECEMBER, 2017

APPROVAL

This thesis has been approved by the Department of Banking and Finance, Faculty of Business Administration, University of Nigeria, Enugu Campus by:

Prof. J.U.J. Onwumere
(Supervisor)

Date

Dr. Okoro Okoro E.
(Head of Department)

Date

DECLARATION

I, IYODO, BABA YARO, a post graduate student in the Department of Banking and Finance with Registration Number: PG/Ph.D/11/60215, do hereby declare that the research embodied in this thesis is my original work. It has not been submitted in part or in full to this or other university for the award of any Degree or Diploma. All cited authors in this work have been acknowledged in the references.

IYODO, BABA YARO
PG/Ph.D/11/60215
(STUDENT)

Date

DEDICATION

This research work is dedicated to God Almighty, the creator of Heaven and earth, the giver of knowledge, the beginning and the end and my Savior.

ACKNOWLEDGEMENTS

My profound gratitude goes to God Almighty, the most compassionate. I remain sincerely grateful to God for His saving grace, mercy, protection, provision and divine enablement and for the successful completion of this study.

My sincere appreciation goes to my supervisor who is also the Dean, Faculty of Business Administration, Prof. J.U.J. Onwumere for his love, concern, assistance and helpful suggestions in supervising this work despite his busy schedules. I am grateful sir. May God continue to bless and protect you and your entire family (Amen).

I am also indebted to Dr. Okoro Okoro E, the Head of Department, all the academic and non-academic staff of the Department of Banking and Finance, Faculty of Business Administration, UNEC for their love and contribution and for creating enabling environment for our study.

My appreciation goes to the management of Kogi State University, Anyigba, Prof. B.C. Nwankwo, former Dean, Faculty of Management Sciences, KSU. Dr. S.O. James, HOD Banking and Finance, Prof. Odi Nwankwo, former HOD, Banking and Finance, all the academic and non-academic staff of the Department of Banking and Finance, Kogi State University, Anyigba.

My thanks go to my dear wife, Mrs. Patience Chubiyajo Iyodo; my wonderful children, Ojile-ojo Goodluck Iyodo, Omawohi, Greatman Iyodo and Anibe-Ojo Unique Iyodo for their prayers, support, patience, understanding and encouragement during this study. Special appreciation to my lovely parents- Mr.& Mrs. Baba Iyodo Ejigebe, my brothers especially Mr. Baba Hassan, Mr. Baba Ejiga, Dr. Baba Gowon, Uncle Jibrin Iyodo and the entire Iyodo family.

I am also grateful to Mr. Ichaba E. Emmanuel, Mr. Agbaji, J.S, Evang. Tokunbo Salami, Bro. Tunde Bello, Bro. Olu Jeremiah, Bro. Job Folorunsho and all the members of the Chapel of Restoration Church, Kogi State University, Anyigba for their support and all the people that have contributed to my life and this study in one way or the other. My thanks go to “you” in particular for reading this work. God bless you all (Amen).

IYODO, BABA YARO
PG/Ph.D/11/60215
(STUDENT)

ABSTRACT

This study investigated the effect of insurance industry performance on economic growth in Nigeria. Insurance is a protection from financial loss. The problem was that, there has been a paucity of local literature and studies on the performance of the insurance industry on economic growth in Nigeria. The specific objectives of the study were; to examine the effect of non- life insurance penetration on economic growth in Nigeria, assess the effect of life insurance penetration on the economic growth in Nigeria, evaluate the effect of insurance density on the growth of Nigerian economy and investigate the effect of insurance industry's expenditure on economic growth in Nigeria. The study adopted the ex-post facto research design. Time series data for the period 1988-2014 were collated from the Central Bank of Nigerian Statistical bulletin. Data were analyzed using regression. The ordinary least square regression was adopted for testing the four hypotheses formulated. The results of the study revealed that life insurance penetration exerted a negative but significant effect on the economic growth in Nigeria, Non-life insurance penetration had positive and significant effect on the economic growth in Nigeria during the period; Insurance density had positive and significant effect on economic growth in Nigeria while insurance expenditure had positive but non significant effect on the economic growth in Nigeria within the period of this study. The study recommends among others that life insurance companies should come up with life products mainly designed for the low income earners as the target which will enhance penetration and deepen the market. More awareness should be created to enhance the participation of products industry and firms as this will deepen the activities of insurance industry in Nigeria. Furthermore, this study recommends an increased diversification of insurance products especially in the non-life businesses. This has to be done for insurance industry in Nigeria to exert most significant positive impact on the Nigerian economy. Again government insurance policies covering compulsory insurance for all Nigerians, particularly life and health insurance cover should be strictly enforced and implemented.

TABLE OF CONTENTS

Title Page	i
Approval Page.	ii
Declaration	iii
Dedication	iv
Acknowledgements	v
Abstract	vi
Table of Contents	vii

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	4
1.4 Research Questions	4
1.5 Research Hypotheses	5
1.6 Scope of the Study	5
1.7 Significance of the Study	5
1.8 Limitations of the Study	7
Reference	8

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework	11
2.1.1 Concept of Insurance	11
2.1.2 Need for Insurance Industry	13
2.1.3 Evolution of Insurance in Nigeria	16
2.1.4 Classification of Insurance Business	17
2.1.5 Nigeria Agricultural Insurance Scheme	22
2.1.6 Health Insurance and the Growth of the Nigerian Economy	23
2.1.7 Need for the Regulation of the Insurance Industry	28
2.1.8 Reinsurance and the Nigerian Economy	39
2.1.9 Basic Principles/Laws of Insurance	39
2.2 Theoretical Review.	40
2.2.0 Theories of Insurance and Economic Growth	40
2.2.1 Financial Liberalization Theory	40

2.2.2	Modern Theory of Financial Intermediation	41
2.2.3	The Growth Theory	41
2.2.4	Financial Representation	42
2.2.5	Structuralist Theory	43
2.2.6	Circuit Theory	44
2.2.7	Efficient Markets Theory	44
2.2.8	The Kaldors Model of Economic Growth	45
2.2.9	The Theory Adopted for this Study	45
2.3	Empirical Review	46
2.3.1	Links Between Life Insurance and Economic Growth	46
2.3.2	Link Between Non life Insurance and Economic Growth	47
2.3.3	Link Between Insurance Density and Economic Growth	47
2.3.4	Link Between Insurance Penetration and Economic growth	48
2.3.5	Effect of Insurance Industry on Economic Growth	48
2.4	Review Summary/ Knowledge Gap	49
2.5	knowledge Gap	51
	References	52

CHAPTER THREE: METHODOLOGY

3.1	Research Design	61
3.2	Nature and Sources of Data	61
3.3	Model Specification	61
3.4	Description of Model/ Variables	65
3.4.1	Dependent Variables	65
3.4.2	Independent Variables	65
3.5	Techniques of Analysis	66
3.6	Econometric Tests Conducted	67
3.6.1	Unit Root Test.	67
3.6.2	Co-Integration Test	67
3.6.3	Estimation Procedure	67
	References	68

CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA

4.1	Presentation and Interpretation of Data	. . . . .	70
4.2	Decision Rule		80
4.3	Testing of Hypotheses.	. . . . .	80
4.4	Implication of Results .	. . . . .	89
	Reference	. . . . .	91

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1	Summary of Findings .	. . . . .	92
5.2	Conclusion	. . . . .	92
5.3	Recommendations	. . . . .	93
5.4	Recommendations for Further Studies	. . . . .	94
5.5	Contribution to Knowledge	. . . . .	95
	Bibliography	. . . . .	96
	Appendix	. . . . .	109

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND TO THE STUDY:

Insurance companies are among the non-bank financial institutions that play great roles in financial intermediation within the financial system in an economy. Insurance industry plays the dual role of risk management and capital formation. Primarily, insurance provides cover against the various business risks that arise within the economy. Anyanwa, cited in Ugwanyi (2004). Insurance companies collect premium from policy holders and from the pool so collected, those who suffer losses are indemnified. Through these activities, insurance companies mobilize a lot of funds which they invest in both money and capital market.

Ajayi (2002), posits that insurance is a promise of reimbursement in the case of loss, paid to people or company so concerned about hazards they have made a prepayment to an insurance company.

Awe (2008) opines that insurance makes it possible for risk of loss to be eliminated for the individuals through the combination of a large number of people in the same position contributing to a common fund premium payment, out of which an unfortunate may be indemnified for the loss caused to him/her.

An insurance company exists primarily to manage risk. Risk cannot be separated from social and business aspects of an individual life, and so, insurance companies came into being for the sole aim of bringing back insured into the original position he was before the risk occurred. The impact/role of an insurance company can never be over emphasized because; it is the pillar of every successful business. The insurance companies had given Nigerians the faith to invest in a business without fear of losing out even with the introduction of compulsory insurance for all Nigerians by the Federal Government. More so, most financial institutions may not want to grant a loan to an individual without them endorsing insurance policy.

Arnold, cited in Adeyele (2011), reveals that vulnerability is increasing as emerging economies grow and accumulate more assets as well as the increase in hazards exposure which points to a continuing trend of increasing losses due to a natural disaster. The insurance industry also helps us to put into practice what is known as sustainable

development. Development is said to be sustainable when people can make a good living and be healthy and happy without damaging the environment or other people in the long run.

Among financial intermediaries, the insurance companies play a very crucial role; they are the main risk management tool for companies and individuals. Insurance companies, together with mutual and pension funds, are one of the biggest institutional investors in stocks, bonds and real estate markets and their possible impact on the economic development will rather grow than decline due to issues such as widening income disparity and globalization.

Furthermore, the insurance sector represents the backbone of Nigeria's risk management systems; it ensures financial stability and serves as an important component in the Nigerian financial market. According to Sumegi and Haiss (2006), the role of the financial sector and the economic growth became a major topic in the last decade, elaborating on the work of King and Levine (1993). These financial institutions issue and sell indirect securities to the surplus units of the economy and consequently, purchase other securities, which are primarily from the ultimate borrowers of these funds. (Agwuegbo & Olowokudejo, 2011).

One of the indices for measuring the development of any economy is the size and maturity of its insurance industry. Insurance industry acts as the absorber of the risk and uncertainty associated with economic activities, and its absence can greatly reduce the growth of economic activity. Most Nigerians especially the rural dwellers are ignorant of significant of the insurance industry.

Role of the Insurance sector in mitigating sudden and devastating occurrences thereby stimulating economic growth cannot be overemphasized. (Olulekan, and Akinlo, 2013). Both in developed and developing countries, insurance sector contributes to economic growth both sectorally and geographically. Since insurance sector has linked with sectors such as industrial, transportation, Agriculture, mining, petroleum and trade both locally and internationally, its relevance to general human activities has continued to grow for all ages as all categories of risks increase.

According to Arrow, (1971) , Roth and Stylists cited in Seyed, et al. (2010) one of the main benefits of the Insurance is the fact that it allows the insured to balance their income whenever an adverse event occurs, or on the condition in which such event does not take place, and this is done through the payment of premium and the receiving of compensation (Indemnity), in case of misfortune.

Several studies have found sufficient evidence to suggest that the development of Insurance Industry is related to economic growth (Ward and Zubruegg, 2000, Webb, 2000, Soon 1996, in (Osaka 1992 and Njogu, 1991 cited in Ebitu, 2012), Insurance has taken on an increasing importance as a means for individuals and groups to manage their income risks.

In the view of Ujunwa and Modebe (2011 p.19), insurance Industry is seen as the backbone of any country's risk management system since it ensures financial security, serves as an important component in the financial intermediation chain and offers a ready source of long-term capital for infrastructural projects.

Global economy refers to the worldwide economic activities between various countries that are considered intertwined and thus can affect other countries negatively or positively. In 2008, the global economy went into a tailspin as stock markets around the world faltered. The world economy or global economy is the economy of the world, considered as the international exchange of goods and services that is expressed in monetary units of account (money).

1.2 Statement of the Problem

There has been a paucity of local literature and studies on the performance of the insurance industry on economic growth in Nigeria. It could be observed that the number of empirical studies on this topic is relatively scanty especially compared to those on banking sector's contribution to economic growth, and where there is literature, there are mostly foreign-based.

More so, due to the neglect of the insurance industry in Nigeria, carrying out business in Nigeria today is very risky considering the rate of insecurity in the country. Because of the insecurity, the level of growth and development that should correspond with the country's enormous potential has not been achieved yet even in other developing countries. Ideally, the major role of an economy's financial sector is helping to channel resources from surplus to deficit units for investment, resource allocation mobilizes savings and provides risk management and liquidity. The insurance industry can play major roles in those functions if properly managed and thus supporting economic growth. Majority of insurance companies' especially small-scale ones operate on a scale of the inefficient situation. The scale and scope of economies are not the types that could make most insurance companies in Nigeria operate at the optimal level, hence, low investment interests in the industry, not at the same level with

banks. The regulatory institution for insurance business in Nigeria, NAICOM has severally accused insurance firms of not living up to their expectations regarding service delivery or meeting up with regulations governing their activities (NAICOM, 2005). Not many of them attract investors' attention as their performance is poor. By the above reasons, it might be important to determine the optimal cost efficiency level for the production of insurance services in the economy. The main problems have been poor performance, and the Nigerian's attitudes towards demand for insurance services have been lukewarm because of lack of enough local literature on insurance activities.

1.3 Objectives of the Study.

The main objective of this study is to analyze the effect of insurance industry performance on economic growth in Nigeria.

Specific Objectives

The specific objectives of this study are:

1. To examine the effect of life- insurance penetration on economic growth in Nigeria.
2. To assess the effect of non- life insurance penetration on economic growth in Nigeria.
3. To evaluate the effect of insurance density on the growth of Nigerian economy.
4. To Investigate the effect that insurance Industry's expenditure has on economic growth in Nigeria.

1.4 Research Questions

This research seeks an answer to the following questions:

1. To what extent does life- insurance penetration exert positive and significant effect on economic growth in Nigeria?
2. To what extent does non- life insurance penetration exert positive and significant effect on economic growth in Nigeria?
3. How far does insurance density have a positive and significant effect on the profitability of the insurance Industry in Nigeria?

4. To what extent does insurance Industry's expenditure exert positive and significant effect on economic growth in Nigeria?

1.5 Research Hypotheses

The hypotheses of this study are as follows:

1. Life insurance penetration does not exert positive and significant effect on the growth of the Nigerian economy.
2. Non- life insurance penetration does not have a positive and significant impact on economic growth in Nigeria.
3. Insurance density does not exert positive and significant effect on the economic growth of Nigeria.
4. Insurance industry's expenditure does not have a positive and significant impact on economic growth in Nigeria.

1.6 Scope of the Study

The research is centred on the effect of insurance industry performance on economic growth in Nigeria. For proper analysis, a period of 27 years was reviewed, i.e. 1988-2014. This research covers the best performing and quoted insurance companies both with the National Insurance Commission (NAICOM) and the Nigeria Stock Exchange (NSE).

The period is about 27 years. This period is enough to assess the impact of sub-sector in the economic development of a country. The choice of this period allows for comparison of various economic development indicators such as the Gross domestic product growth rates (GDPGR), Gross domestic product (GDP), insurance premium, savings, expenditure, investment and total assets.

1.7 Significance of the Study

This study is significant because, it provides information on the relationships between the insurance industry and the Nigerian economic growth, the performance and efficiency of insurance industry which if considered, will be of benefit and useful to the following:

- ❖ **The insured:** This study will build up confidence in insured to invest more in the insurance industry, the confidence of investors to invest in Nigeria will influence the

growth of the economy positively. The study, therefore, would help investors to choose the best investment options.

- ❖ **Policy Makers:** This study provides a platform that could assist policy makers to come up with policies capable of impacting positively on business risk management. The evaluation of alternative policy strategies based on the assumption that policy can react to data that are not available to policy makers. This study provides policy makers with a large pool of resources on improving and repositioning the insurance industry and to enhance productivity and economic growth.
- ❖ **Insurers:** The study will help the staff of insurance companies to see the need to improve their customer service, corporate governance and rebranding of their products to meet the need of the insured and the general public.
- ❖ **Economic watchers and the General public:** Economic analysts will utilize the platforms of this study in their analysis on the relationship between the insurance industry and the Nigeria economy in general. More so, the general public through the findings of this research will be better informed and educated on the kinds of risks and how to manage them effectively. The general public particularly those that are interested in the insurance industry will find this study useful because it will help them to understand more about the performance of the Nigerian insurance industry as it relates to economic growth.
- ❖ **Financial Market Regulators:** This research provides required empirical and theoretical base concerning the working of the insurance industry. Such insights will offer useful guides to insurance market regulators like the Central Bank of Nigeria (CBN) and National Insurance Commission (NAICOM).
- ❖ **Banks and Other Financial Institutions:** Financial institutions that deal with insurance companies will find this study very important, because, it gives a fair picture of the performances of such insurance firms while in their terms of credit, whether or not to grant them credits and other considerations. It provides benchmarks for caution, lending, credit policy formulation and adjustments since the insured pays their premiums through them and the insured are also indemnified or compensated through them, especially, banks.

- ❖ **Researchers and students:** Academically, the study will assist broadening the frontier of knowledge in various ways. The study will add to literature and other areas of interest in subsequent studies, and it is also expected to provide vital information to guide future researchers in the related field. This study would contribute to existing literature in the area of finance since there is a paucity of literature on the insurance industry.

1.8 Limitation of The Study

The major limitation of this study was associated with data generation. Generating accurate statistical data from various insurance companies and financial institutions and publications covering 27 years period posed some challenges. This is because, Nigerians as at now, still have a poor attitude towards data documentation and record keeping.

The dearth of local literature on insurance is also expected to affect the quality of this work. The reason is that, although this study is meant to close a local gap, foreign theoretical and empirical studies constitute the volume of data used in the review of the literature.

More so, the time needed to go round to all the insurance companies for first-hand data collection was faced.

REFERENCES

- Adams, M., Anderson, J. Lindmark, M. (2006). *The Historical Relations between Banking, Insurance and Economic Growth in Sweden: Accounting, Business & Financial History*. Vol. 1(19). Pp. 21 -38.
- Adebisis, W. (2006). *Principles and Practice of Insurance*: Akure, AK: Ondo, Ondo State, Obafemi Publishers. ISBN: 978-068-721-1.
- Adeyele, J. (2011). Economic Liberation of Insurance Industry in Nigeria: *International Journal of Research in Management Sciences*, 3(5), 113 –118.
- Agbaeje, A. R. (2005). *Accounting for Specialized Transactions*. (1st ed), Akins Prints, MO: Mokola, Ibadan.
- Agbakoba, O. (2010). *The case of property Liability Insurance*: Willey Publishers, NY: New York.
- Ajayi, L.A (2000). *Elements and Scope of Insurance*. Hybrid Publishers Limited, AK: Akure, Ondo State.
- Akinlo, T. (2013). The Causal Relationship between Insurance and Economic Growth in Nigeria. 1986 – 2010: *African Journal of Business and Management Research* Vol 2 (12). Pp 49 – 57.
- Ann, Eche (1999). *Insurance Basic Principles and Practice*. Immaculate Publishers, EN, Enugu.
- Badejo, M. (1998). *Limitations and Scope of Insurance*: Hybrid Publishers Limited Akure, AK: Ondo State ISBN: 978 -2558-08-z.
- Barro, R.J, et al. (1995). *Economic Growth*: New York: NY: McGraw Hill. Inc.
- Beck, T. & Webb. I. (2002). *Economic Demographic and Institutional Determinants of Life Insurance Consumption: A cross Country study*: World Bank and International Insurance Association. 7(5).
- Bodie, Z. (1990). Pensions as Retirement Income Insurance: *Journal of Economic Liberation*, 28(01).
- Boon, T.K (2005). Do Commercial Bank, Stocks Market and Insurance Market promote Economic Growth?: *An Analysis of the Singapore Economy working paper of the School of Humanities and Social Studies*, Nanyang Technological University (3).
- Catalan, M, (2000). *Contractual Savings or Stocks Market Development: which lead?* Policy Research Paper 2421, World Bank Washington, DC
- Ching, K, S. (2000). *Causal Relationship between Life Insurance funds and Economic Growth*: Evidence from Malaysia, Asian Economic Bulletin. August 22 (10).

- Dickey, D.A & Fuller, W.A. (2000) Likelihood Ratio Statistics for Autoregressive Time Series with a Unit Root: *Journal of American Statistical Association* 27 (2), 427-431
- Dickson, P.G.M (1960). The Sun Insurance Office. *The History of Two and a half centuries of British Insurance*, London Vol 2 (40).
- Ebitu, E.J., Ibok, N.I & Mbum, P.A (2012). Factors affecting Insurance Consumption In Akwa Ibom State, *Nigeria: Journal of Research, International Business and Management*. ISSN 2251 -0028. Vol 2 (12). Pp 323-328.
- Eke, E. (1992). *The principle of Insurance*: Dekeal Publishers, IB. Ibadan.
- Esho, N. et al. (2005). Law and determinants of properties causality Insurance: *Journal of Risk and Insurance, American Risk and Insurance Association* 71(2).
- Fatula, O. (2007). *The imperative of Recapitalization and consolidation in the Nigerian Insurance Industry*: (1st & 2nd ed) Ikeja Bar Review, 128
- Grollier, C. (2003). *To Insure or not to Insure: An Insurance Puzzle*: The Geneva Papers on Risk and Insurance Theory 131 (4).
- Haiss, P. & Sumegi, K (2008). *The Relationship of Insurance and Economic Growth In Europe*. A Theoretical and Empirical Analysis. 35 (4), 405 – 431.
- Hammond, J.D (1967). Determinant of Household & life Insurance Premium Expenditure. An Empirical Investigation. *Journal of Risk and Insurance*. Vol. 34 (4), pp. 397-408.
- Hussels, M. (2005). Stimulating the Demand for Insurance: *Risk Management and Insurance Review* 8(32) 4 – 12
- Imravidio, G, (2003). *The impact of contractual savings Institutions on societies and Markets*: The World Bank Policy Research Working Paper, 2984.
- Isimoya, O.A (2003). *Risk Management and Insurance Application*: (2nd ed). Malt House Press Limited, LA: Lagos.
- Kugler, M. & Ofoghi, R. (2005). *Does Insurance Promote Growth?* Evidence from the UK: Working Paper. University of Southampton 3(8), 7 – 10/
- LIM, C. Haberman (2003). *Macro Economic Variables and the demand for life Insurance in Malaysia*: Faculty of Actuarial Sciences and Statistics, FASS Business School, City University, London 10 (20)
- Mings, S. (2012). *Does Insurance Demand or Financial Development promote economic growth?* Evidence from Taiwan: *Applied Economics Letters* 19(2)

- Mojekwu, J.N, Agwuegbo, S.O.N & Olowokudejo, F.F (2011). The Impact of Insurance Contributions on economic growth in Nigeria: *Journal of Economics and International Finance* Vol. 3 (7) pp. 444 – 451.
- Mittal, A & Gupta, S.L (2008). *Principles of Insurance and Risk Management: (2nd Ed)*. Sultan Chand & Sons Publishers, New Delhi, DE. India pp. 73-82.
- National Insurance Commission NAICO (2010). Annual Report and Audited Accounts.
- Oke, M.O. (2012). Insurance Sector Development and Economic Growth in Nigeria: *African Journal of Business Management* 6(23): pp. 7016 – 7023. DoI: 105897/AJBM11.2853
- Olalekan, Y & Akinlo, T. (2013). Insurance Development and Economic Growth in Nigeria, 1986 – 2010: *Journal of Economics and International Finance*. Vol. 5(5). Pp. 218 -224. DoI: 10.5897/JEIF 2013.04.0498.
- Onyekachi, E & Okoye, V. (2013). *Analysis of Insurance Practices and Economics Growth in Nigeria*: Global Advanced Research Journal of Management and Business Studies. Vol 2 (1).
- Outneville, J. (1990). *The Economic Significance of Insurance Markets in Developing countries*; *Journal of Risk and Insurance*. 8(41). Pp 487 – 498.
- Philip, C.O. (2012). Insurance Market Activity and Economic Growth Evidence from Nigeria: *Asian Economic and Financial Review*, 1(4). Pp 245 – 253
- Skipper, H.O. (2001). *Insurance in the General Agreement on trade in Service*: American Enterprises Institute 4(22).
- Ujunwa, A. & Modebe, N.J. (2011). *Repositioning Insurance Industry for Operational Efficiency*. The Nigerian case. *Journal of Applied Finance and Banking*. Vol. 1 (3) pp. 15-32.

CHAPTER TWO.

REVIEW OF RELATED LITERATURE

2.1. CONCEPTUAL FRAMEWORK

The purpose of this chapter is to present a review of literature relating to the insurance industry and the Nigerian economy. Although insurance industry is an important ingredient in the smooth working of business entity and the entire Nigerian economy, it has not attracted much attention of scholars.

Life is full of one form of risk or the other. One may choose not to be engaged in any business activity to avoid risk or loss, but as we all know, it is even riskier to do nothing. Virtually, every field of human endeavour is confronted with risk, in every decision taken either by individual or business organization, one cannot but perceive the omnipresent nature of uncertainty particularly in the Nigerian business environment. This notwithstanding, one cannot avoid deciding from time to time since this is inseparable from life.

Risk cannot be separated from social and business aspects of an individual's life, and so, insurance industry came into being for the sole aim of bringing back the insured into the original position he was before the risk occur. Osoka, (1999), argue that the insurance industry is vital to the wellbeing and smooth functioning of a modern economy.

According to Osipita (2009), the Insurance business is vital to the financial market due to its role in helping business to manage their resources and mitigate risk efficiently.

Arena (2006), asserts that there are likely to be different aspects of economic growth from life and non-life insurance, given that these two types of insurance protect the households and corporations from different kind of risks that affects the economic activity in different ways.

2.1.1 CONCEPT OF INSURANCE

According to the New Encyclopedia Britannica, volume 21, 15th edition, Insurance is viewed as a method of coping with risks and its primary function is to substitutes certainty as regards the economic cost of loss-producing events.

Mittai and Gupta (2010:73), define insurance as a device of cooperation for spreading the loss caused by a particular risk over some persons who are exposed to it and who agree to insure themselves against that risk. Insurance may, therefore, be seen as a kind of fund, into

which all who are insured will have the right to call on the fund for any appropriate payment should the insured events occur.

According to Longe (2008:159), insurance can be defined as an agreement whereby one party promises to indemnify or pay another party a sum of money in the event of his suffering a specified loss or damage. It can also be defined as a system for providing financial compensation for the effect of loss; the payment is made from the accumulated contributions of all parties participating in the fund or scheme.

Anyaele (2003:145) defines insurance as a provision made for the protection of persons or objects against risk. Man is faced with many risks in his daily activities, some of these risks that are inevitable are controllable, while others are not, some are human-made while others are natural, some are insurable while others are not. In a bid to reduce these risks that face the man in his daily activities, the man signs insurance contract with insurance companies for the protection of his life and property against the insurable risks.

In his studies, James (2003:15) defines insurance as a contract under which an insurer promises to indemnify or compensate the insured for loss which the insured would suffer upon the payment of premium. Insurance is regarded as the pooling of risk because, it is a process whereby, a large number of people who are likely to suffer the same risk willingly join together to create a fund out of which a monetary compensation could be paid to any member who suffers any loss. Primarily, insurance industry provides cover against various business risks that arise within the economy, Anyanwa & Okoro, (1996:93) in Ugwauanyi (2004:15).

Ahukannah et al. (2007:289), views insurance as a contract by which one party undertakes to indemnify another against loss, damage or liability arising from unknown or contingent events. According to Ogwo et al. (2003), insurance is the safe guide against risk and a device aimed at reducing the chance of a risk occurring, when it happens, reducing the extent of its damage and providing the affected person with compensation, is a form of insurance.

According to Raji et al. (2000:2), Insurance can be defined as an economical path towards unlimited opportunities for financial growth and fulfilment in life through protection security.

Dickson (1960), opines that insurance is designed to protect the financial well-being of an individual, company or other entity in case of unexpected loss.

Gollier cited in Owojori et al. (2012) argue that insurance involved the transfer of risk from an individual to a group, sharing losses on an equitable basis by all members of the group.

Nevertheless, Adaramola (2002), postulate that the insurance industry consists of life and non-life insurance companies and some people engages in life insurance while others engage in non-life insurance and both activities. Their investment activities are mainly in government securities, public sector enterprises and the mortgage industry. Chui and Kwot (2008), observe that banks are directly involved in the insurance business in many countries, and hence, it is expected that strong banking sector can boost the development of the insurance markets. The long-term nature of life contracts and the predictable pattern of their cash flows put life insurance companies in a position to play a vital role as an institutional investor in the capital market.

2:1: 2 NEED FOR INSURANCE INDUSTRY

Ward and Zubruegg (2000), examine the causal relationship between growth in insurance activity and economic growth for nine OECD countries during the period between 1961 and 1996. The Annual Real GDP was used as a measure of economic activity and Annual total real insurance premium as measures of economic activities. They applied bivariate VAR methodology to test for Granger causality. Causality test from vector autoregression in levels shows that the insurance activities led to economic growth in two countries (Canada and Japan), while in case of Italy, there was a bidirectional relationship between insurance and economic activity.

However, the relationship was weaker and less significant than for two above mentioned countries. For all other countries, there was no evidence for the interaction. They concluded that the causal relationship between insurance and economic growth might well vary across countries because of the influence of some country Specific factors, such as cultural, regulatory, and legal environments, the improvement in financial intermediation and moral hazard affect in insurance.

Catalan, Impavido and Musalem (2,000) analyze Granger causality of insurance assets for 14 OECD and five developing countries over the period 1975 to 1997 vis-à-vis GDP growth among others. According to their analysis, contractual savings seems to have some connections to market capitalization between market capitalization and pension funds is the

same as with market capitalization and contractual savings, but the nexus of pension funds VT is mixed. The Catalon et al. (2000) analyzed 9 OECD countries support the life insurance –MC links, the result of the developing countries are mixed. Evidence for the connection of life insurance to VT is not so long in OECD countries, whereas, the majority of non OECD countries shows this linkage. The linkage proposed by the author between contractual savings MC or VT seem to hold for OECD countries, especially for countries in the small and tight market but the enabling environment. The second proposition – to favour contraction savings over institutional investors (e.g. non-life insurance) – is also supported by the result and induces the authors to recommend an appropriate sequencing of financial institution's development.

Kuggler and Ofoghi (2005) evaluated both a long-run relationship and Granger-causality between insurance market size and economic growth for the United Kingdom using net written premium for each insurance market (general and long-term insurance) of the period 1965 – 2003. Insurance categories that were considered short-run causality exist from life, liability and pecuniary loss insurance. As the authors noted out in his paper, these results do not permit to make a definitive conclusion regarding causality.

Brown and Kin (1993), analyzed life insurance consumption per capita for 45 countries for the years 1980 to 1987 with multiple regression model on cross-sectional data on various country figures, such as income or inflation rate, income dependency and social security expenses are positively correlated, while inflation is negatively correlated and significant in both years.

Zhuo (1998) focused on China and conducted a cross-regional study for 1995 and time – series analysis for the period 1986 to 1995. By other findings, both the cross-regional and the time series analysis show that GDP per capital and consumer price index (CPI) are significantly correlated with insurance consumption within that period.

Holsber (1999) concentrated on the changes in the external environment for insurance companies in Europe in the period under review. He argued that the change of importance of insurance services in the economy is dependent on the growing amount of assets and the increasing competition in the financial sector. He built the following model which is based on Aaron (1966) interest rate(R), growth of the working population (N) the economic growth

rate (G), superior benefits of the pay-as-you-go pension system if $R < N+G$, superior benefits of the funded pension system if $R > N + G$, and both pension system providing equal benefits if $R = N + G$. As population aging and the more from pay – as – you – go (PAYG) system to privately funded schemes farmers the growth of the insurance industry and facilitated capital market development with increasing supply of long-term savings. Holsboer (1999) saw the interaction between the insurance and economic growth as bi-directional.

Webb et al. (2005), analyzed the effect of banking and insurance on the growth of capital and output based on cross-country data of 55 countries for the period from 1980 to 1996. The Insurance variable is measured by average insurance penetration (insurance premium relative to GDP) of life and non-life insurance respectively. At the first stage of ordinary least square (OLS) estimation, assuming exogenous financial variables indicated a positive effect of banking development on economic growth, while insurance variables did not enter significantly. The result of simultaneous equations, assuming an endogenous relationship between financial acting and economic growth, show that higher levels of banking and life insurance penetration predicted higher rates of economic growth.

Lim and Haberman (2003), concentrated on the Malaysian life insurance market. While the interest rates for savings deposits and price enter significantly into the equation, the positive sign for the interest rate puzzles the authors. This could be in line with findings of Webb et al. (2002) who found the best results when insurance and banking sector are combined in the estimate.

Peter and Kjell (2006) worked on the relationship of insurance and economic growth, a theoretical and empirical analysis which was presented as a paper at the 2006 ECOMOD Conference in Hong Kong. They applied a cross-country panel data analysis using annual insurance premium data from 29 European countries over the 1992-2004 period. They found weak evidence for a growth supporting role of the insurance and explained this with similarities to recent bank and stocks market sector findings.

Arena (2008) worked on the empirical study and causal relationship between insurance markets activity and economic growth which include 56 countries (both developed and developing ones) in the period from 1976 to 2004. Insurance premiums were used as proxies of total life and non-life activities separately. As an estimation method, the author used the generalized method of the moment for dynamic models of panel data. The result shows a

positive and significant effect of the total, life and non-life insurance variables on economic growth, but the results did not show the non-Linearity in their relationship.

The growing links between the insurance and other financial sectors also emphasize the possible role of insurance companies in economic growth (Rule, 2001). Cross-shareholdings and bank-assurance as a major form of financial conglomerates and assume-finance play a rising role. Via credit default SWAP (CDS) and another risk pass-through vehicles, insurance companies increasingly enter the markets for credit risk, hitherto the sole domain of banks and capital markets.

2:1:3 Evolution of Insurance in Nigeria

Insurance companies were brought into Nigeria from Britain. They were reported to have operated in Nigeria before 1900, Okigbo cited in James (2003:11). The colonization of Nigeria by the British, brought along with it several changes in the political, social and economic lives of the Nation and its people. They came with their often quoted three “Cs” colonize, civilize and Christianize.

The predominant system during this period was the organized social schemes which included the extended family system, Association of age grades, the “Esusu” system, communal unions etc., were traditional insurance. This shows that although modern insurance started in Nigeria in the early part of the 20th century, historians and sociologists argued that what is today known as insurance before the advent of modern insurance, various communities in Nigeria were believed to have operated customs that looked similar to the present day insurance.

There was an initially slow pace of the growth of the insurance industry in Nigeria, particularly between 1921 and 1949. Immediately after the world war II, business activities picked up again, and insurance industry in Nigeria began to record remarkable improvement in growth (Gbede, 2003). In the 20th century, the British Merchants introduced modern commercial insurance into West Africa. In 1921, the Royal Exchange Insurance company established the first insurance company with a branch in Lagos. This company dominated the scene for about 30 years until 1949 when other insurance like General Assurance society and Tobacco Insurance Company Limited were established.

In 1958, indigenous participation in Insurance business was enhanced with the establishment of African Insurance company Limited, At Independence, only 4 of them (25) firms in

existence were indigenous. By 1976, the number of indigenous companies had surpassed that of foreign companies.

Agbakoba (2010), states that insurance practice had come a long way since Loyd's sent runners to the waterfront to pick up news of ship movements and later would send policy around London for subscription by anyone with sufficient means. Badejo (1998), argued that the concept of insurance in its modern form, was introduced into Nigeria by the British in the closing years of the late 19th century with the establishment of trading posts in what is now known as Nigerian Agent towards the end of the 19th Century by European Trading Companies, mostly British. As time went on, some British Insurance appointed Nigerian agents to represent their interests in the country. These agents later metamorphosed into full branch offices of their parent companies in Britain. Osunkunle (2002), Opine that the first branch in Nigeria was the Royal Exchange Assurance in 1921, later followed by other British companies.

Eke (1992) posits that as at 31st December 1996, there were 135 insurance companies operating in Nigerian insurance market with comparative figures of 145 (1995 and in 1993). The National Insurance Corporation of Nigeria (NICON) was established in 1969 as a plan by the Nigerian Government to check the operators of the insurance business.

Over the years, different Acts have been promulgated to control and regulate the insurance industry, e.g. Insurance Company Act of 1966, insurance Decree 1991 and National Insurance Commission (NAICOM) Decree No 1. of 1997.

2:1:4 Classification of Insurance Business

There are various kinds of risks which business owners and individuals hedges against. The insurance business is divided into two main branches or classes, i.e. life and non-life insurance with each class subdivided into other types of insurance. The insurance business has been subjected to various classification by various authorities according to different criteria. In fact, classification of insurance is conventional from experience, based on purpose and practices of different insurance (Oluoma, 2014).

According to Longe, (2008), the following are the branches of insurance:

- a. **ACCIDENT INSURANCE:** This type of insurance covers a lot of areas, and it is taken by all classes of people in all human endeavours. Accident includes; personal accident, sickness, employers liability, accident to properties, industrial accident etc.
- b. **LIVE STOCKS INSURANCE:** Live stocks insurance in Nigeria is mainly concerned with poultry, cattle, pigs, dogs, horses etc.
- c. **GROUP INSURANCE:** Group or individual, organization or members of clubs can take up a group insurance policy in which all the members are covered. For instance, during the continental outings, of the Rangers International Football Club of Enugu, the players were given group insurance cover.
- d. **BAD DEBT INSURANCE:** Bad debt is an irrecoverable debt which a company can insure against. This means that the insurance company will guarantee to protect companies or business owners against bad debts.
- e. **MOTOR VEHICLE INSURANCE:** This Insurance is meant to avoid careless driving, to protect road users from damages, loss etc. It is legally compulsory for vehicle owners to ensure their vehicles. The insurance can take any of the following types of motor vehicle insurance.
 - i. **Third Party Only:** This type of insurance attract a lower premium, and it is for protection not for owners of the vehicle insured, but for the third party against damage, injuries etc. When the vehicle involved in an accident, the insurance company will not indemnify the owner of the vehicle, but the owner of the vehicle or property or life involved in the accident other than the insured.
 - ii. **Third Party, Fire And Theft:** This type of motor vehicle accident has all the qualities of a third party but goes further by covering damage to the vehicles caused by fire or theft.
 - iii. **Comprehensive Motor Insurance:** This type of motor vehicle insurance attracts a higher premium, and it protects the owner of the vehicle against possible damage by accident, fire or theft and even covers the third party.
- f. **FIDELITY GUARANTEE INSURANCE:** This is the type of insurance taken by firms against the possible loss of money through embezzlement or misappropriation

of funds by their fraudulent employees in positions of trust. These employees who are in positions of defrauding the company upon whom this type of insurance is taken include; school Bursar, Accountants, cashiers etc. The insurance company must be furnished with the details of past carriers and character of the employees to be insured; all these information determine whether the insurance company will accept such risks and what the premium will be.

g. **BURGLARY, THEFT AND ROBBERY INSURANCE**

Homes, companies and shops that deal with costly stocks take this types of insurance that covers against possible losses resulting from breaking of shops, dwelling houses, theft or larceny by thieves and robbers. An insurance company undertakes to indemnify the insured if his shop or home is proved to be broken and stocks or properties stolen.

h. **FIRE INSURANCE**

This insurance covers risks that are associated with fire outbreak that damage buildings, factories, shops, stocks, machinery etc. In determining the premium the insured will pay, a lot of things are taken into account like:

- a. The structure the building is made of, whether it is a thatched house or built with corrugated iron sheets. If inflammable materials like petrol, rubbers etc. are stored in the house, whether the building is installed with firefighting equipment or not.
- b. The method and type of product a company produces. Fire insurance is taken with a clause, which may either by (i) without average (ii) with the average clause.
 - i) **Without average clause:** with this clause, stated in the insurance policy, the insured is entitled to the estimated amount of loss in the event of loss through fire.
 - ii) **With Average clause:** If the insurance clause bears this clause, the insurance company will base the indemnity on the actual value of the building or goods damaged by fire. Based on the amount stated in the above clause, the indemnity will be worked out as due.

i. **CONSEQUENTIAL LOSS INSURANCE:** Companies take this type of insurance which covers loss of revenue or profit as a result of disruption of business or production caused by fire. This type of insurance is different from fire insurance in the sense that while it covers loss of revenue, fire insurance covers the liability of loss of capital through the destruction of properties. Other risks which consequential loss insurance takes care of are: income from rents, payment of salaries, interest on debentures during stoppage of business or poor production caused by fire etc.

j. **MARINE INSURANCE:** Marine Insurance contract is covered with a marine adventure, and it involves insuring ships, cargo, passengers and these are based on the marine Act of 1906. The risks insured against include: damage by fire, storm and tempest, detention by foreign powers, seizure under legal process and damages occasioned by war, enemies, pirates, thieves, ship misfortune that have or shall come to hurt, damage the said goods and merchandise.

Marine insurance may be valued or unvalued marine.

a. **Value Marine Insurance:** Valued marine insurance policy is the one that specifies the agreed value of the subject matter of the insurance, e.g. if the insurance is for marine cargo, the value of the cargo is specified.

b. **Unvalued Marine Insurance:** In the case of unvalued insurance, a general insurance may be involved without specifying the values of the cargo on the vessels. On the total loss, the holder of the unvalued policy would receive a sum related to the valued of the subject matter at the time of the loss. On the other hand, the holder of a valued policy receives the sum insured irrespective of the value at the end of the loss.

k. **LIFE ASSURANCE:** This protects persons against events that must happen in the future which may be at the maturity of the assurance policy or the death of the assured. Life assurance can take the following policy lines:

a. **Whole Life Assurance:** Under this life assurance policy, the assured assures his life with a certain sum of money which matures and payment made only when the person assured dies.

- b. **Endowment Assurance:** This policy is taken for a definite period, payment is made in this type of life assurance policy at the death of the assured, before the defined period or at the expiration or the stated period. Which ever occurs first. For instance, if Mr. A. assured his life under this life assurance policy for 10years, if the assured stays alive up to the 10th year and beyond, he will go and claim the amount from the insurer, but on the other hand, if he dies before the 10th year, repayment will be made to his next of kin or beneficiaries he named.
- c. **Annuity Assurance:** In this assurance policy, the assured pays a huge sum of money in the form of premium to the insurer, which matures at the retirement of the assured. The assurer will be making regular payment of income to the policy holder on his retirement for a specified period or the rest of his life depending on the agreement reached and the lump sum paid by the assured.

The following forms of annuities according to Oluoma (2010) are described:

- i. Immediate Annuity
 - ii. Deferred Annuity
 - iii. Annuity Certain
 - iv. Guaranteed Annuity
 - v. Reversionary Annuity
 - vi. Joint and last survivor Annuity
 - vii. Family income benefits
 - viii. Child's Deferred Assurance
 - ix. School fee policy
 - x. Joint life policy
1. **ENGINEERING INSURANCE:** Engineering insurance is a form of property insurance that concerns itself with plants and machinery in all its forms. This insurance

covers losses, damages, injuries or death resulting from the use of steam power (such as pressure plants, boilers, electrical and mechanical plants, lift and cranes).

- m. GOODS IN TRANSIT INSURANCE:** In many countries, goods in transit insurance, i.e. inland transit insurance is treated as a branch of marine insurance. However, in the United Kingdom as well as Nigeria, it is dealt with by accident department of insurance companies. Goods in transit insurance cover all risk of loss or damage from the moment the goods are loaded into the vehicle until the time that offloading is completed at the destination.
- n. LEGAL EXPENSES INSURANCE:** The purpose of the legal expenses insurance is to cover an unexpected legal fee that the insured may have to bear. Some professional bodies and trade unions extend legal services to their members. In this connection, they can purchase legal expenses insurance to remove any uncertainty about the size of and timing of such expenses.
- o. OIL AND GAS INSURANCE:** for oil producing companies, to cover the risks associated with exploration and development of crude oil, would arrange insurance policy to cover the following risks:

 - i. Control of oil wells
 - ii. Re-drilling extra expenses
 - iii. Seepage, pollution and contaminations
 - iv. All risks that cover the physical loss or damage to plant and assets.
 - v. Third party liabilities

The National Insurance Corporation (NICON) insurance was the first insurer in Nigeria to establish an oil department between 1976 and 1977. This was not surprising, being the federal government's insurance institution and considering the role oil was beginning to play in the National economy.

2:1:5 Nigerian Agricultural Insurance Scheme (NAIS) and the Nigerian Economy.

Agriculture has been the major provider of food for teeming population and also the largest employer of the labour force in the Nigerian economy (Amaza,2000). The Nigerian

agriculture as in most developing countries of the world is anchored mainly on subsistence farming methods. In this regards, small-scale farming operators producing about 80% of the total food production for the ever-increasing population, operate on the fragmented farm of between 0.5 -2 hectares (Salami,1994).

A very important problem faced by farmers and agricultural business enterprises is that it is characterized by considerable risk and uncertainties which stem from its predominant dependence on nature, this is because agriculture requires extensive direction and continuous contact with the forces of nature. Farmers face considerable losses of investment and income due to losses; it is because of this that Ajayi (2001), stated that small farmers in many developing countries of the world, including Nigeria, are trapped in the vicious cycle of poverty.

However, with agricultural insurance, farmers can be saved from these losses or damages to crops and live stocks, or the effect can be minimized. According to Ray cited in Aina & Omonana (2012), Crop insurance, in developing countries can help in the following ways:

- a. Cushion the shocks of disastrous crop losses in bad years,
- b. Help to ensure a considerable measure of security in farm income over the year and contribute to the stability of the agriculture and in turn, the general economy.
- c. Improve the position of farmers about agricultural credit
- d. Strengthens the position of the agricultural cooperative societies as a result of the strengthening of the economic position of the farmers, the credit institutions can thus be more liberal in providing the much-needed credit to the farmers, accepting crop insurance contracts as collateral.
- e. Give the farmers greater confidence in adopting new and improved farming practices and in making a greater investment in agriculture for improving crop yields and increasing the agricultural production.
- f. Help to replace sporadic and haphazard grant and relief operations which governments in developing countries are frequently called upon to undertake in an emergency situation.

Ray (2000), concluded that no sustained and steady development of the developing countries is possible without some forms of crops-agricultural insurance. Agricultural insurance, therefore, is a necessary part of the institutional infrastructure essential for the development of agriculture which is a high-risk enterprise. Based on the above roles of agricultural insurance as a panacea to alleviate some of the problems militating against agricultural insurance in Nigeria, the Nigerian Agricultural Insurance Scheme (NAIS), was established in 1987 by the Federal Government of Nigeria.

a. Agricultural Insurance: Risk And Uncertainty

Agricultural Insurance is defined in the Nigerian Agricultural Insurance Scheme (NAIS) operation guidelines (1989), as the stabilization of income, employment, prices and supplies of agricultural products by means of regular and deliberate savings and accumulation of funds in small installments by many farmers in favorable time period, to defend some or a few of the participants in bad time or period.

Mabawanku (1998), defines insurance as the elimination of the certain risk of a large number of the similarly exposed individual who can contribute to a common fund, premium payments sufficient to make good the loss incurred by any one individual. The above definition is consistent with Hansel' (1998) that defines insurance as a social device providing financial compensation for the effects of misfortune, the payment is made from the accumulated contributions of all parties, particularly in the scheme.

b. Objectives of the Nigerian Agricultural Insurance Scheme.

The broad objectives of the Nigerian Agricultural Insurance Scheme (NAIS), was to offer protection to the farmers from the effect of natural disasters and to ensure payment of appropriate compensation sufficient to keep the farmers in business even after suffering a loss.

NAIS Scheme is specifically designed to perform the following functions:

- a. To promote agricultural production since it would enhance greater confidence in making a greater investment in the agricultural sector of the Nigerian economy, thereby increasing the total production.
- b. To provide financial support to farmers in the event of losses arising from natural disasters.
- c. To increase the flow of agricultural credit from lending institutions to the farmers.
- d. To minimize or eliminate the need for emergency assistance provided by Government during the period of agricultural disasters.

c. Perils Under Cover By The Nigerian Agricultural Insurance Scheme

Perils covered under the crop sub-sector are fire, lightning, windstorm, flood, drought, pests and diseases. For live stocks, the perils covered are: death and injury caused by negligence or by willful damage are not covered. Similarly, political risks and losses resulting from social risks, e.g. riot, mutiny, revolution etc. are not covered.

The insured under the scheme are required to meet the conditions for good crop and livestock husbandry as laid down in the guidelines or policies provided by the Nigerian Agricultural Insurance Schemes.

2:1:6 Health Insurance And The Growth Of The Nigerian Economy.

Insurance is a risk transfer mechanism wherein, the proposer (the insured), agrees to make a small periodic payment called premium to another person (the insurer), in return for the payment of a larger sum (benefit) on the occurrence of specified events. (Awosika, 2005). The basis for insurance is to protect the individual from financial consequences of events with a low probability of happening but with the potential loss. However, in health insurance, the probability of illness is not low hence, the actuarial determination allows for more variance.

In the context of health insurance, the premium is the amount charged by the insurance companies with the promise to pay for any eventuality covered medical treatment possible to substitute a small but certain cost (Premium) for a large but uncertain loss (claim) under an

agreement in which the healthy majority compensate for the risks and costs of the unfortunate ill minority. Pooling of health risk is a feature of every society, and it takes many forms.

a. The National Health Insurance Scheme (NHIS).

Health Insurance Scheme as a way of financing health care was first introduced in Germany by Emperor Otto Von Bismarck in the year 1883, followed by Australia 1893, Norway 1902 and United Kingdom in 1930. The health insurance scheme had been well established and recognized in all European countries Okevie ,(2001). Insurance in one way or the other remains as veritable and sustainable tool for financing the hardware, delivery structure and systems of healthcare is only recently applied to poorer developing nations to address the glaring problems of inadequate health care provisions, which was hitherto financed exclusively from public taxation.

According to Awosika (2005), the health sector can be divided into two main categories, i.e. healthcare infrastructure and healthcare financing. Health care delivery and infrastructure may be described as the hardware, people and information structures.

The concept of social health insurance was first introduced in Nigeria in 1962, when Halevi Committee passed the proposal through the Lagos Health Bills in 1985, the then Minister of Health (Olikoye Ransome Kuti) constituted a committee whose terms of reference included the responsibility of advising on the desirability, viability and acceptable model of Health Insurance Scheme for Nigeria. At the 28th meeting of the National Council on Health, another committee was set up on National Health Insurance Scheme in 1989. In 1991, the Federal Government signed an agreement with the UNDP and the International Labor Organization (ILO) for planning and implementation of the scheme. Studies carried out in this regard involved actuarial analysis, computerization requirements, financial expenditure, management information, system, guidelines and the draft law on the NHIS (WHO. 1987, NHIS, 1999).

b. Objectives of the National Health Insurance Scheme

According to NHIS, cited in Metiboba,(2011), the main objectives of the scheme include the following:

- a. Ensuring that every Nigerian has access to good health care services.
- b. Protect families from financial hardship of huge medical bills.

- c. Limit the risk in the cost of healthcare services.
- d. Ensure equitable distribution of health care cost among income group.
- e. Maintain a high standard of healthcare delivery services within the scheme.
- f. Ensure efficiency in health care service
- g. Improve and harness private sector participation in the provision of health care services.

Moreover, sound health is fundamental for leading a socially and economically productive life and sustainability and viability of a country's economic and social growth depends largely on a vibrant healthcare sector in that nation Oyekale and Eluwa, (2009), Orabuchi, (2005), when a search for alternative health care funding mechanism was identified and accepted as a more effective and sustainable method of financing health care services (Akpala and Onuekwusi, 1998, Sanusi and Awe, 2009).

With the National health insurance scheme, there is now a growing realization that even the poor can make small periodic contribution that can go a long way towards meeting their health care needs. According to Jutting, (2004) there is also evidence, however, to suggest that the success of social health insurance scheme does not entirely depend on the level of opulence, because, even the poor, do save for future health care needs. For example, Ensor and San, cited by Dollah et al. (2010), in a study that examined access and payment for health care in Northern Vietnam, found that about 70% of savers mentioned future health care changes as one of the major reason for savings. Insurance in one form or another remains a veritable and sustainable tool for financing the hardware, deliver, structures and systems of health care (Awosika, Ibiwoye and Adeleke, 2007).

c. Health Care Benefits To Be Provided On The National Health Insurance Scheme.

The following according to Awosika, (2005:42), are the standard benefit components of coverage:

- i. Curative care by a provider
- ii. Out-patients diagnostic and treatment services
- iii. Short-term rehabilitation and physician therapy
- iv. Pediatric and adult immunization services

- v. Family planning
- vi. Ante-natal and post-natal cares
- vii. Eye examination but not the provision of spectacles
- viii. Consultation with specialists.
- ix. Hospital care in a public or private hospital in a standard ward for a stated duration of stay for physical or mental disorders.
- x. Emergencies in and out of the health maintenance organization service area.
- xi. Detoxification and treatment of substance abuse.
- xii. Diagnostic and therapeutic radiology services
- xiii. Primary Dental care as defined- pain control, extractions, amalgam fillings, etc.

All benefits contemplated or offered or provided under the scheme shall be provided or administered or made available in Nigeria only.

d. Benefits of Health Insurance to the Nation

According to Awosika (2005:47), the following are benefits of health insurance scheme to the Nigerian economy:

- a. Ensuring the provision of the basic health services aimed at communities.
- b. Ensuring access to the poor and underprivileged to health facilities.
- c. Ensuring the supply and rational use of drugs, medical supplies and laboratory regards.
- d. Developing and expanding managed care and health insurance scheme.
- e. Increasing funds for operational and maintenance cost of health facilities
- f. Sustainable long-term health/nutritional curative, preventive, promotion and curatives policy improvement
- g. Assures prompt provider reimbursement for services
- h. Rebuilding health infrastructures
- i. Better health information system
- j. Globalization of health care.

2:1:7 Need For The Regulation Of The Insurance Industry

The rationale for regulating insurance companies is its intangible nature. In almost all jurisdictions, the government is closely involved in the regulation of the business of insurance. To varying degrees in different states and nations, the government uses legislatures and judicial branches to regulate underwriting practices, contract structure and solvency. This

often distinguishes the business of insurance from other businesses as regards the extent to which separate enterprises must behave competitively rather than cooperatively. Chandler (1999).

The upsurge in the number of the indigenous insurance industry, in the main time, could not be transformed to efficiency as foreign domination was still prevalent regarding business. (Uche & Chikeleze, 2001).

By the provisions of the insurance companies Act of 1961, the office of the Registrar of Insurance was created to supervise insurance practices in Nigeria. Other provisions of the Act included minimum capital requirement and other conditions for registration, monitoring and control of insurance operations. This was followed by series of legislation which sought to further the cause of insurance regulation in the country. The first major attempt at regulating insurance in the country was the promulgation of the Nigerian Insurance Decree of 1976.

In continuation of the regulation of insurance business in Nigeria, the National Insurance Commission (NAICOM) was established in 1997. The Power of NAICOM is to legislate for the insurance industry in the country, and the Insurance Act was laid out as a comprehensive outline for NAICOM. Criteria and standards for registration, policy provision, rates, expenses limitations, valuation of assets and liabilities, investment funds and the qualification of sales representatives are set by NAICOM. To monitor insurance practitioners compliance with its rules, NAICOM adopts the international standard score principles of insurance supervision who have been entrenched in the Insurance Act of 2003. The Act also serves as the benchmark for the supervision and monitoring of intermediaries (Brokers, Agents and loss Adjusters) who must renew on an Annual basis after supplying their Annual returns and accounts for verification.

The release of the guideline is brought about by the dynamics of the environment and related to a continuous review of relevant regulatory tools which are consistent with the existing NAICOM laws. This is also meant to strengthen the operational standard within the insurance industry and bring about improved transparency and accountability in operations. Some of the selected areas of the Annual review include filling of Annual returns and accounts, renewal of a license, quarterly returns, clients' accounts, opportunism (frauds) and related malpractices, corporate governance, and compliance with anti-money laundering/combating financing terrorism activities laws.

Regarding regulatory policy, the recapitalization program has had the most profound effect on the industry to date. In the post-authoritarian period under review, the government turned its attention to the financial sector and introduced a recapitalization program. The move was directed in part flushing out operators with weaker dubious financial bases from the financial sector and to galvanize financial institutions into assuming the challenge of transforming the nation into one of the top ten world economies within the turn of a decade. The first major recapitalization process was introduced by the insurance Act raised minimum capital requirements by as much as 65%.

With the results of the 2003 recapitalization making rather a dismal impact on the industry, it was not surprising that even higher capital requirements would be introduced to the insurance sector sometimes draw the line. Indeed, section 9(4) of the Insurance Act provides that NAICOM may increase the amount of minimum capital requirement from time to time. What was unsettling for the operators was the timing and quantum of increase in the minimum capital requirement.

More so, in September 2005, industry players were required to recapitalize and were given the end of February 2007 to comply. While, previously, the insurance Act 2003 only required new capital of less than ₦500 million, the 2005 recapitalization directive required a minimum of ₦2 billion for life operations and N 3 billion for non-life insurance business. With the previous low capital requirement, the scope of operations of many of the companies was severely limited.

2:1:8 Reinsurance and the Nigerian Economy

Reinsurance can be defined as a contract by which an insurer called a reinsurer undertakes to indemnify another insurer, called the reinsured or ceding company against the whole or a portion of the liability which the reinsured had undertaken on a particular policy of insurance (Oluoma, 2014). The reinsurance contract in effect covers the insurers or covers the liability which the reinsured or ceding company had undertaken under its contract of reinsurance with its original policyholder. From the above definition, two main parties to the contract emerge: the ceding company and Reinsurer. The ceding company is the original direct insurance company which has accepted the risk from an original insured and ceded transfer) part of the risk to another party, the reinsurer which is either another direct insurance company or a

professional reinsurance company which accepts that part of the risk which is ceded or transferred Irukwu (1980).

In fact, the primary objective of reinsurance is to protect the primary insurer or the ceding company from being crippled by large losses beyond its financial capacity. It should be noted that the original insured acquires no right under a reinsurance contract which operates solely between the ceding company and the reinsurer. In the event of a loss, therefore, the insured' claim for the full amount is against the ceding company; and he is not concerned with the position between the ceding company and the reinsurer. Thus, in selecting his reinsurer, the insurance company must ensure that the reinsurer's financial security is good and that the reinsurer is in a position to settle claims promptly. Furthermore, where the risk assumed by the reinsurer from the ceding company is so large that it cannot comfortably handle alone, the reinsurer can or retrocede part of the risk to another reinsurer. This kind of arrangement is called retrocessionaire. This ensures full capacity utilization and efficient spread of risk (Falagan, 1991).

The purpose of reinsurance according to Oluoma (2010), are: It gives protection in the form of reinsurance cover to the direct insurer. By reinsuring all risks in excess of its retention capacity, the direct insurer can eliminate the risk of being crippled by a catastrophic or an unusually large loss in excess of the direct insurer's financial resources, reinsurance makes it possible for the direct insurer to handle larger risks than he would have been able to accept in the absence of the facilities offered by reinsurance.

Thus, the reinsurance protection offered by the insurer enables the insurer to accept larger risks which it would otherwise have rejected. The effect of this is to ensure that the operational results of an insurance company show a more stable development; reinsurance helps to promote a wide spread of risks so that the liabilities of the direct insurer and not too heavily concentrated in any one location or any one geographical area; reinsurance also helps to avoid a possible financial strain due to a rapid growth of the portfolio and from the point of view of young insurance companies in the third world, some of the large professional reinsurance companies that have been in existence for many years offer a lot of technical assistance including training facilities and sometimes administration facilities to their ceding companies. In this way, they help in the development of these young direct insurance companies. Under a reinsurance contract, two separate arrangements exist, one between the

original insured and the insured and the insurer, and that between the insurer and the reinsurer.

However, the original insured maintains a contract with the insurer only. He is not concerned with the reinsurance contract existing between his insurer and the other party, the reinsurer. In a time of loss, the insured of claims from the insurer under his insurance contract and have no right to claim against the reinsurer. On the other hand, a co-insurance contract is an arrangement whereby two or more insurers come together to undertake a common risk due mainly to the high potential loss magnitude of the risk. In this scheme, therefore, in the eyes of the law, each of the participating insurers maintains a separate contract with the insured to the extent of the proportion of the risk it bears. In a time of claims, the insured claims respectively from each of the participating insurers to the tune of their share of the risk. The insured is not entitled to claim the whole of the loss from the other underwriters. Even if there is a lead underwriter who co-ordinates the underwriting and claims administration, each underwriter is still separately liable to the insured according to its level of participation (Irukwu, 1980).

In the early stages of insurance business in Nigeria, due to lack of underwriting experience and knowledge and small market capacity, substantial business was placed and reinsured at London and other overseas markets. This trend resulted in the loss of substantial foreign exchange and indeed revenue by the country. The National Insurance Corporation of Nigeria (NICON) established in 1969 was then made to act as a petty reinsurer to other insurance companies maintaining compulsory 10% legal cessions from all insurers in Nigeria apart from its direct insurance business transaction to stop the loss of foreign exchange through overseas reinsurance. Substantial business originating in Nigeria, however, with the entry into the market of many indigenous insurance companies and with the indigenization policies of the government, called for proper exchange control reinsurance to curtail the leakage of Nigeria's foreign exchange by this approach of reinsurance huge insurance business abroad.

It was, therefore, felt that NICON's dual role as an insurer and reinsurer could not be effective in absorbing large-scale risks locally. It became necessary therefore to establish a professional reinsurance company primarily charged with all reinsurance responsibilities. This led to the establishment of Nigerian Reinsurance Corporation by the enactment of Nigerian Reinsurance Corporation, 1977 (Oluoma, 2010).

With the establishment of the Corporation as well as the appearance of other reinsurance companies, a good amount of premium which was hitherto lost to international reinsurance centres are not retained in the country. The 20% legal cession which every registered insurer cedes to Nigeria reinsurance Corporation has enabled it to trade with other reinsurance abroad with the aim of earning some foreign exchange on the inward business. It also enables than to generate substantial funds which, in due course would rather contribute to the companies in Nigeria's development and the development of the country.

It should also be noted that all insurance companies in Nigeria as well as in Africa make 5% legal session to African Reinsurance Corporation since Nigeria is a member of the Organization of African Unity (OAU) which established the African Reinsurance Corporation, (Irukwu, 1980).

There are 4 main types of reinsurance. However, the most important and commonest of these are:

1. Facultative reinsurance.
2. Treaty reinsurance;
3. Reinsurance pools and
4. Facultative-obligatory reinsurance.

Facultative reinsurance is the oldest method of reinsurance, and it involves the assessment of every risk individually. For a risk to be placed facultatively, the insurer would present the details of the risk on a reinsurance slip to the reinsurers; the insurer would present the details of the risk on a reinsurance slip to the insurer. The insurer then has the opportunity to appraise the risk on its merits and decide whether to reject or accept the risk or state terms upon which it would be inclined to accept the risk. Where the insurer accepts the risk, he usually indicates the proportion of the risk he wishes to bear. If the risk is not accepted by the insurer, it is thrown back to the ceding company who has to seek other reinsurance companies to place the risk, and until the risk is fully accepted and placed, the ceding company is not protected by cover here is not automatic, (Oluoma, 2010).

Treaty reinsurance is an agreement between the ceding company (direct insurer) and the reinsurers in which case, the ceding company agree to cede, and reinsurers agrees to accept all reinsurances offered within the limits of the treaty. The nature of the limits could be monetary, geographical, branch, section, classy etc. this implies that automatic protection is

afforded since it is obligatory for the reinsurer to accept all risks within the scope of the treaty unlike under the facultative arrangement. In essence, the ceding company is enabled to provide cover immediately for any risk which it wishes to accept provided it falls within the ambit of the treaty (Falagan, 1991).

Capacity is expressed in 'lines'; a line equals the amount of the ceding company's retention. Thus, ten lines treaty means the ceding company can accept up to 11 times its' own retention. The capacity can be increased by obtaining additional surplus treaties for the corresponding number of lines like the second, third, surplus treaties, etc.(Oluoma, 2010).

To ensure adequate protection, companies do have first, second, third or even fourth surplus treaties. For instance, a ceding company may have for a certain kind of risk, first surplus treaty of 15 lines, a second surplus risk, first surplus treaty of 15lines, the third surplus of 5 lines and even a fourth surplus of 5 lines, altogether totalling 40 available lines. This might be necessary since in most cases the majority of risks can conveniently be reinsured under 20 or 30 lines and the use of more lines could only be necessary for very large risk which might be very few and can accordingly be handled (Irukwu,1980).

According to Oluoma (2014) Reinsurance pools is adopted mainly for catastrophe risks like aviation and atomic risks which involve very heavy claims that no one insurer can safely handle alone. The whole insurers who are members of the pool will put their resources, premiums and experience together and share the claims in the same proportions to their premiums. They will also share profits and expenses in the same manner. There were essentially two kinds of pools in the insurance industry; the direct insurance pool and the reinsurance pools. The pools can further be grouped according to geographical set-up viz national, regional and international pools. The trend in recent times has seen the combination of direct insurance and reinsurance pools. This involves the joint participation of direct insurers and reinsurers as a consortium for the underwriting of risks of catastrophic nature either locally, regionally or internationally (Oluoma, 2010).

2:1:9 Basic Principles/Laws of Insurance

According to Deguchi et al. (2007:290), the following are the basic principles or laws of insurance:

- a. **Pooling of Risks:** The pooling of risk means that through payment of premium, many people contribute to a common fund out of which compensation is paid to those who suffer loss.
- b. **Insurable Interest:** Under the Insurance law, a person is not permitted to insure something which belongs to another person. Insurable interest means therefore that only the person who will suffer financial loss if the event insured against occur will be allowed to take the insurance cover. You can take insurance for car against an accident, but another person cannot take insurance for your car for his benefit.
- c. **Utmost good faith (Uberrimae Fidei):** This principle states that in any insurance contract, all relevant information that will affect the validity of the agreement must be disclosed to the parties involved. The parties must disclose all materials facts faithfully so as not to render the contract void.
- d. **Contribution:** The principle of contribution state that when a person has insured against a certain risk with many insurance companies, he cannot claim compensation in full from each of the insurance companies. This means each of the insurance companies will pay certain proportion of the loss. The insured cannot make a profit if he has been settled by one insurance company, he is not entitled to receive a contribution from any other insurance firms.
- e. **Indemnity:** This principle states that the insured should be indemnified to the limit of the amount covered by the policyholders. It provides that the insured be adequately compensated, but he is not expected to make any profit out of the insurance.
- f. **Proximate Course:** This principle means that there must be close correction between the loss suffered and the risk for which insurance has been taken. The insurance company will not be liable for risk other than those insured are involved.
- g. **The principle of Subrogation:** Subrogation is the right which the insurance company has to stand in the place of the insured and avails itself to certain legal rights and remedies which the insured has against a third party who is liable for the occurrence of a loss.

- h. The principle of Abandonment: The principles of abandonment provides that if an insured object is damaged beyond repair, that is, if the cost of repairing it exceeds the real value of the object, the insurance company reserves the right to abandon the object and give financial indemnity to the insured.

RISK MANAGEMENT

Insurance can be referred to as pooling of risk (management of risks). It has been observed that many big businesses in Nigeria that would have contributed positively to the economic wellbeing of Nigeria are struggling to survive or no longer in operation due to lack of sound risk management. The effect of this is an abandonment of capital projects such as buildings, bridges and road construction at the corporate level of governments in the country. The simple reason is that most contractors or the decision-making body of the organizations involved do not embark on appropriate risk management techniques or model. One of the reasons for these is due to low awareness programme on the availability of insurance products to hedge against these fortuitous circumstances, (Adeyele & Maiturare, 2012).

Risk can be defined as the possibility of an unfortunate occurrence or as the chance of loss, or as the uncertainty as to the occurrence of an economic loss. Isimoga, (2003). Life is full of one form of risk or the other. Risk cannot be separated from social and business aspect of an individual life. Insurance companies came into being purposely to bringing back the insured into the original position he was before the risk occurred. Without risks, there would be no need for insurance.

Mittal and Gupta (2010), defines risk as the possibility of something unpleasant or dangerous that might happen. The risk is also the uncertainty about an outcome in a given situation. Risk has been defined as the chance that some unfavourable event will occur, (Brigham, 1995) or exposure to loss arising from variation between the expected and the actual outcome of investment activities (Okafor, 1983).

Classification of Risks:

James (Ibid) classified risks as follows:

- a. Pure Risks- Those are vents holding out the prospects of only one of two possible outcomes of either loss or no loss at any point in time.

- b. Speculative Risks- Where an event can result in gain or loss or breakeven, such event is classified in insurance as a speculative risk.
- c. Fundamental Risks – These are risks that are impersonal both of cause and consequence arising from the social, economic and political phenomena which affect a whole community.
- d. Particular Risks – Those are risks which are personal both of cause and effect. They include injury to an employee, fire outbreak in a production plant, motor accident etc.
- e. Financial Risks - **the** Financial risk is a risk whereby the outcome of an event can be measured in monetary terms. In fact, the transaction of the insurance business is based on financial measurement, damage to property; theft etc. can be measured financially.
- f. Non-financial Risk- These are situations where the outcome is not measured or measurable financially but by other human criteria, e.g. social decision of life like the choice of a marriage partner, selection of a carrier etc. Both personal and business risks can be taken care of or managed.

Basic Methods of Risk Management

- a. **Risk Avoidance** – One may choose not to engage in any activity, say a business, to avoid the risk of loss but as we all know, it is even riskier to do nothing.
- b. **Risk Reduction** – One may put in place the necessary plans and facilities to reduce the extent of loss whenever it occurs. Examples of this are Provision of adequate firefighting equipment in a building, using appropriate safety gadgets while working in hazardous places and installation of burglar alarms.
- c. **Risk Retention** – It is possible to deal with risk by retaining some percentage of the loss. In some cases, risk retention may be due to failure to recognize that the risk exists.
- d. **Risk Transfer** -Risk can be managed by transferring responsibilities of any unforeseen event to another party. Once the risk has been accepted, one may decide to keep it or to transfer it to someone else, e.g. to insurance companies.

The risk is an inherent component of life and therefore cannot be eliminated. The ability to manage and control a risk is the best way to tackle the issue of risk. According to official newsletter of Farm Management Association of Nigeria

FAMAN (2000) Financial success in a family is heavily dependent upon the ability of the farmers to reduce risk and uncertainty or to improve his risk-bearing ability. The ability to control or reduce risk is referred to as risk management.

Sonka and Patrick (2000) define risk management as the selection of alternative course. The objective of risk management, Oyekole (2002) and Otegbolade (2002), went further to make the most efficient pre-loss arrangement for post-loss balance between resources needed and resources available to preserve the effective operation of the business. The following methods can be used by farmers to handle agricultural risks. These are measures that can guarantee them some minimum income or wealth in the face of either natural or manmade hazards, as summarized by Wallace (1998), Otegbolade (2002), Irukwu (2001) and Osoka (2002). These include Risk avoidance, risk assumption, risk reduction, risk transfer, risk sharing and self-insurance.

BUSINESS RISK EXPOSURES

Business owners as well as individuals make plans and have expectations about how business goals should be realized. However, experience has shown that plans will not unfold with certainty and sometimes expectations will not be realized, (Bowers et al. 1997). Sometimes, plans are frustrated because they are built on unrealistic assumptions. In other situation, fortuitous circumstances interfere. Insurance system (otherwise called risk financing) is one of the ways of tackling these operational issues which financial business is exposed, particularly where there are significant uncertainties in running the business. Risk management is a fundamental activity that seeks to restrict exposure to potential losses or risks. (Ingram, 2009). Insurance is a form of risk management that parties use to protect themselves against a loss. Below are some of the business risk exposures that risk manager in any organization should take into cognizant when making risk management decision.

- a. Property loss exposures: It is important for the decision maker to be able to identify what property is exposed to lose and potential causes of loss. This involves identification of what property is exposed to loss and potential causes of loss. The

firm must, also, consider how property should be valued for making risk management decision.

- b. **Liability losses:** The settlements, judgments, and legal costs associated with liability suits can impose substantial losses on firms.
- c. **Human Resources:** Losses in firm reduces value due to worker injuries, disabilities, death, retirement, and turnover can be grouped into two categories. First, as a result of contractual commitments and compulsory benefits, firms often compensate employees (or their beneficiaries) for injuries, disabilities, etc. Second, worker's injuries, disabilities, death, retirement, and turnover can cause indirect losses when production interruption and employees cannot be replaced with zero cost with other employees of the same quality.
- d. **Losses from external economic forces:** The financial category of loss arises from factors that are outside the firm.

2:1:8 The Economic Growth Concept

Economic growth is the process by which the productive capacity of an economy increases over a given period, leading to a rise in the levels of the National income. When there is economic growth, it shows in the form of an income level, an expansion of the labour force, an increase in the total capital stock of the country and a higher volume of trade and consumption.

A country's economic growth is usually indicated by an increase in that country's Gross domestic product. Gross domestic product is an economic model that reflects the value of a country's output. In other words, a country's GDP is the total monetary value of the goods and services produced by that country over a specific period. A country's economic health can be measured by looking at that country's economic growth and development.

2:1:9 Links Between Economic Growth And Insurance

The relationship between insurance activities and economic growth has been a popular issue of debate. Skipper (1997) show that insurance market activity, both as a provider of risk transfer and indemnification and as an institutional investor, may contribute to economic growth in the following ways: (a) Mobilizing domestic savings; (b) Allowing different risks

to be managed more efficiently, thereby encouraging the accumulation of new capital; (c) Boosting financial stability; (d) Facilitating trade and commerce (the most ancient insurance activity); (e) Supporting to reduce or mitigate losses; and (f) Fostering a more efficient allocation of domestic capital.

The development of the life insurance market is playing an increasingly substantial Role within the insurance industry. The questions we have to ask are whether the development of the life insurance market (using penetration and density measures) stimulates economic growth as well as why countries with similar life insurance market development differ regarding economic growth?. Previous studies that mostly deal with the relationship between the financial sector and growth are merely concerned with bank and stock markets. Moreover, important to bear in mind is that some uncertainty as to the exact factors that affect such a link remains. It may well be that a country that wants to foster its insurance market development in pursuit of enhancing its economic growth may consider the supporting environments.

2.2 THEORETICAL REVIEW

2.2.0 Theories Of Insurance And Economic Growth

2.2.1. Financial Liberalization Theory.

Financial liberalization theory has its origins in the work of McKinnon (1973), and Shaw (1973). It was Patrick (1966), however, who published a seminar work on the relationship between financial development and economic growth. He hypothesized two possible relationships, a “demand-following” approach, in which financial development arises as the economy develops, and a “supply-leading” phenomenon, in which the widespread expansion of financial institutions leads to economic growth, (Arestis, Nissanke & Stein, 2005). Led by seminal papers of McKinnon (1973), and Shaw (1973), a significant number of studies have pointed out that financial liberalization can exert a positive effect on growth rate as interest rates level rise towards their competitive market equilibrium, while resources are efficiently allocated. Arestis (2005), states that the relationship between financial development and economic growth has received a great deal of attention throughout the modern history of economics.

2.2.2. Modern Theory Of Financial Intermediation

Merton and Bodie (1995), developed a theory called modern theory of financial intermediation which comprises of traditional theory and the changes in financial environment. The modern theory of financial intermediation emphasizes six core functions of insurance to include: provision of means for clearing and settling payments to facilitate exchange of goods and services; provision of mechanisms for pooling resources; resources allocation; risk management; provision of price information to help in coordinating decentralized decision-making in various sectors of the economy and provision of means to tackle the problem of moral hazard, physical hazard and information asymmetry. For this study, the enumerated functions by Merton and Bodie (1995), could be expressed as resources accumulation, resource allocation, managing various risks and facilitation of exchange. It is by realizing these functions that the life and non-life insurance companies contribute to economic growth. Beck and Webb (2003), assert that life insurance provides individuals and the economy as a whole with some financial services. First, life insurance takes increasing magnitude as a way for individuals and families to manage income risk. Next, life insurance products expedite long-run savings and the re-investment of a substantial sum in private and public sector projects. Life insurance products offer a means for disciplined contractual savings and have become effective as instruments for boosting substantial amounts of savings. Thirdly, life insurance mobilizes funds through attractive medium and long-term savings products that enhance economic growth. Long-term finance provided by life insurers may have an especially decisive role in economics, which needs such financing for infrastructural development. Haiss and Sümegi (2008), analyze the manifold channels of influence on the insurance sector and economic growth: risk transfer, substitute savings, investment, institutional extents of influence, and possible sources of contagion and repercussions to the economy. Moreover, Sümegi and Haiss (2008), present that overlooking the insurance sector may be among the causes why the finance-growth nexus seems to have become less robust.

2.2.3. The Growth Theory

The theory of economic growth developed in the 1950's by R. Harrod (Great Britain) and E. Domar (USA), was based on Keynesian premises. In the Keynesian approach to the analysis of economic growth, demand does not automatically equal supply, nor do savings automatically equal investments; demand especially the demand for capital investment plays

a key role in economic growth; and the basic technological coefficients (for example, the relationship of capital to product, and of labor to capital) remain unchanged because of the rigidity of prices and are determined by the neutral quality of technological progress that is, by such technological progress as does not influence the effectiveness of production factors. The growth theory states that well-developed financial intermediation can promote economic growth through the marginal productivity of capital, the efficiency of channelling savings to investment's savings rate and technological innovations. Eze and Okoye, (2013). The channels to growth model try to link the financial intermediation function of insurance companies to economic growth. Webb, Grace and Skipper (2002), stated that life insurance reserves could be used as an approximation of the investment function, they used technical reserves of both life and non-life insurance companies as a proxy for their investment function (IF), and the expected effect on economic growth is positive. Life and non-life insurance as a financial intermediation contribute to economic growth through the accumulation of productive capital within an economy and the improvement of the efficiency of investments. Conyon and Leech, (1994); Skipper and Kwon,(2007); Dorfman, (2008).

The Solow growth model sometimes called the neoclassical growth model is the work hours of research on economic growth and often, the basis of more recent refinements. The theory started by positing that planned investment must make up for the amount of income funnelled out of the income circle by savings. This implies that insurance investment should improve an economy during a very long transition period. The theory added that higher savings (premium received by insurance companies) always raise income and investment of the productive sector. Investment, however, does not only constitute demand needed to compensate for savings trickling out of the income circle, but it also adds to the stocks of capital formed in the economy, Gartner, (2003). The Solow growth theory posits that the rate of savings determines the capital stocks and, hence output. A rise in savings rate increases output permanently and raises the growth rates of the investment but may reduce consumption.

2.2.4. Financial Repression Theory

Mckinnon (1973), and Shaw (1973) view constraints to economic growth arising from financial repression. The scholars assert that the role financial structure plays in economic development is nothing but growth inducing except if repressed. According to the apostles of financial repression hypothesis, the sources of repression are government legislation and

policies such as legal restrictions on activities and interest rates policy that distort the full operation of the market mechanism. Nigerian financial structure was repressed before the adoption of Structural Adjustment Program in 1986. The sources of repression are direct monetary approaches such as selective credit guidelines, ceilings on credit expansion, interest rate controls and use of reserve requirements. Thus, access to banking business was limited, and government-owned financial institutions dominated the financial system.

2.2.5. Structuralist theory

This theory is based on the study of Gerschenkron, (1962). The kernel of Gerschenkron's theory is that the roles financial system plays in the economic progress of a country depends on the structure of the economy. In the work of Gerschenkron, the writer classifies countries at the threshold of industrialisation in a list with very advanced countries at the top and most backward countries at the bottom. Based on the historical perspective of the financial structure particularly at the point of European countries industrialization, an economy like Great Britain have limited role for financial institutions but place much reliance on internal finance of the entrepreneurs. The moderately backward economy such as Germany relied heavily on the financial structure for economic progress due to limited financial resources available to most businesses. However, financial structure is insignificant but attributed a greater role to the public sector for economic progress of the most backward countries. The development of Russia is perhaps inevitable from this description of that country's economic and financial environment at the point of industrialization.

The scarcity of capital in Russia was such that no financial institutions could conceivably succeed in attracting sufficient funds to finance a large scale business. The standards of honesty in business were so disastrously low. The general distrust of the public is so great that no bank could have hoped to attract even small capital funds as were available, and no bank could have successfully engaged in long-term credit policies in an economy where fraudulent bankruptcy had been almost elevated to the rank of general business practice. Gerschenkron's description of Russia can be replicated today for many developing countries. Although this description may fit most countries particularly Nigeria, unfortunately, this implied prescription is irrelevant for two major reasons. First, commercial banks in these countries already have a substantial strangle-hold on the financial resources of the economies as the main financial intermediary. Second, the governments of these countries, having elected the capitalist path of development, fashionably described as a mixed economy, have

not gotten the political will to undertake the unpalatable decision of centralizing economic decision-making.

2.2.6. Circuit Theory

Bossone (1998 and 2000), in articulating the circuit theory of finance incorporated a microeconomic dimension into the theory. Central to the circuit process is the complementary functions of banks and non-banking financial intermediaries in originating money and making it circulate in a manner beneficial to all agents. The implication is that those financial systems where money and capital markets functions are segmented but rudimentary or absent as in many developing economies are prone to circuit malfunctioning and instability. Rajan and Zingales (1998), pointed out that it is the availability of investment opportunities that drive growth. The scholars added that the extent development of financial markets facilitated the export growth of sectors dependent on external finance and concluded that the link between financial development and growth is one by-product of the theory of financial markets and institutions, which reduce the cost of external finance for firms. A sound financial structure is an engine that drives economic performance through entrepreneurship growth as noted by Schumpeter (1934). Others like Goldsmith (1969), Mckinnor (1973), and Shaw(1973), also acknowledged this view through the positive response of savings to the interest rate. Green Wood and Jovanovic (1990), developed a model in which financial structure and economic performance are endogenously determined. The scholars stressed that by pooling idiosyncratic investment risk and eliminate uncertainty about the rate of return; the financial structure could stimulate faster economic progress.

2.2.7. Efficient Markets Theory

This theory states that the market prices for shares/financial securities incorporate or captures all the known information about that stock/security.

This means that the stock is accurately priced/valued until a future event changes that valuation. Because the future is uncertain, an adherent to the efficient market hypothesis is far better off for owning a wide range of stocks and profiting from the general price rise of the market. Opponents of the efficient market theory point to a few works such as Warren Buffett and other investors who have consistently beaten the market by finding irrational prices within the overall market. This Markowitz efficient behaviour exhibited by insurance companies while investing is usually associated with five cardinal patterns:

- A) Preference for more returns on investment to fewer returns.
- B) Envisaging expected returns on investment to depend on possible current returns.
- C) Envisaging risk on investment as directly depending on the size of expected returns.
- D) Preference of less risk to more risk.
- E) Savings/premium-investment (intermediation) decisions are based on the parameters of risk and returns, (Ezirim and Muogholu, 2002).

It can easily be observed that Markowitz efficient market hypothesis is a theory of return and risk, which phenomena are the building blocks of modern portfolio theory. In their investment and intermediation activities, insurance companies construct portfolios in the process of creating and holding different types of both real and financial assets. The portfolio behaviour of insurance companies is targeted at creating optimum amounts and varieties of assets, and hence optimum returns on investment, at a given level of risk. The effect would be to minimize the level of risk possible at any given level of expected return. Such portfolio behaviour is in line with what has been described as efficient portfolio behaviour, (Ezirim, 2007).

2.2.8. The Kaldor's Model Of Economic Growth

The Kaldor model is an attempt to make savings – income ratio a variable in the economic growth process. It is based on the classical savings function which implies that savings, (premiums) generated by insurance companies equals the ratio of profit contributed to the national income or national output. The interpretative value of this model, according to Kaldor, is the conceptualization or treating of investment or the ratio of investment to output (I/Y) as an independent variable. An increase in the level of investment would raise the level of demand, prices and income (Jhingan, 1997).

2.2.9. The Theory Adopted For This Study

The theory adopted for this study was the modern theory of financial intermediation developed by Merton and Bodie (1995). This is because of the suitability and relevance of the theory to this study as discussed above.

2:3 EMPIRICAL REVIEW

2:3:1 Links Between Life Insurance And Economic Growth

Chui and Kwot (2008), observe that banks are directly involved in the life insurance business in many countries, and hence, it is expected that a strong banking sector can boost the development of the insurance markets. The long-term nature of life insurance contracts and the predictable pattern of their cash flows put life insurance companies in a position to play a vital role as an institutional investor in the capital market.

According to Black and Skipper, (2000), there are three main types of life insurance policies in actuarial literature. They include: (a) whole life insurance which provides death benefits for a lifetime, (b) Term life insurance – it provides a death benefit for a limited number of years and (c), Endowment life insurance which is a term life insurance with a savings component. Life insurance in general term is a way of dealing with risk and a savings medium for consumers. It also plays important psychological and social roles. Hofstede (1995), states that the major function of life insurance is to protect against financial loss from loss of human life.

Randle and Ahuza (2001), emphasized that life insurance companies facilitate long-term investment rather than short-term investments as in the case of non- life insurance companies.

Szablick: (2002), conducts a cross-sectional analysis and a panel regression for causality between the different life insurance figures and income and socio-economic country variables for the period from 1960 to 1996. The analysis of the data from 63 developing and developed countries is one of the few to find an educational level to enter significantly. The findings emphasize the importance of banking sector development and the results for the role of the income level are in line with the results of previous works. The panel data regression mainly confirmed the results of the cross-sectional regression.

Webb, Grace and Skipper (2002), use a Solow-Swan model and incorporate both the insurance and the banking sector, with the insurance divided into property/liability and life insurance. Their findings indicated that financial intermediation is significant. When split into three categories, banking and life sector remain significant for GDP growth, while property/liability insurance lose their importance. Furthermore, results show that a combination of one insurance type and banking has the strongest impact on growth.

2.3:2 Link Between Non Life Insurance And Economic Growth

Property insurance may facilitate bank intermediation activities by non life insurance policies, for example partially collateralizing credit, which would reduce bank's credit risk exposure thus, promoting higher levels of lending, (Ajeye, 2011, and Adams, 2006).

The insurance business is usually divided into two main classes, namely: General or non-life insurance business and life assurance business. Non-life insurance can be subdivided into the fire, accident, oil and gas, contractor's all risks and engineering risks, marine and credit insurance, bond and surety ship etc.

Beenstock, Dickson and Khajura (1988) applied pooled time series and cross-section analysis on 1970-1981 data, covering mainly 12 countries. They regressed premiums for property liability insurance (PLI) onto Gross National Product (GNP), income and interest rate development, they find that premiums are correlated to interest rate, and GNP, marginal propensity to insurance (short and long run) rises with income for capital and is always higher in the long run. Beenstock et al. (1988) argue that insurance consumption is not affected by economic cycles or cyclical income variations.

Brown, Chung and Frees (2000), apply a pooled cross-sectional panel model to motor vehicle and general liability insurance in the OECD over the 1886-1996-1993 period. They regressed liability insurance consumption on a variety of factors, including income, wealth and the legal system. Browne et al. (2000) argue that income is affecting insurance consumption. The correlation with risk aversion was statistically insignificant for motor vehicle insurance consumption and negatively connected in the cross-sectional model for general liability insurance consumption.

2.3.3 Link Between Insurance Density And Economic Growth

Kugler and Ofoghi (2005), added cointegration analysis to the causality test to examine the long run relationship between insurance market size and economic growth in the United Kingdom for the period from 1966 to 2003, for long-term insurance, and for the period from 1971 to 2003 for general insurance (from 1991 to 1997 for marine-aviation transport insurance and reinsurance). In comparison to Ward and Zurbruegg, that used aggregates variables in their estimation, (total written premiums) because of the possibility of cointegration, this study used disaggregated data for the measure of market size. The authors found a long-run relationship between development in insurance market size and economic

growth for all components of insurance markets. Causality tests show that there is a long-run causality from growth in insurance market size to economic growth for eight out of nine insurance markets (the exception is pecuniary loss insurance).

Causality in short-run exists from life, liability and pecuniary loss insurance to economic growth and there is an evidence of bidirectional causal relationships in the long-run between economic growth and insurance market size for the three insurance categories.

2.3.4. Link Between Insurance Penetration And Economic Growth.

Beck and Webb (2002), applied cross-country and time-series analysis for the relationship between life insurance penetration, density, and percentage of private savings to GDP, real interest rates, inflation volatility and others as the explanatory variables. Strong evidence was found for GDP, old dependency ratio, inflation and banking sector development. From the group of additional explanatory variables anticipated inflation, real interest rate, secondary enrolment and the private savings rates were found to be significant.

Park, Borde and Choi (2002), concentrated their research work on the linkages between insurance and penetration and GNP and some socio-economic factors adopted from Hofstede (1983). The results of analysis of the cross-sectional data from 38 countries in 1997 show significance for GNP, masculinity, socio-political instability and economic freedom. All other factors lack importance and masculinity have to be dropped after checking for heteroscedasticity of unknown form. Deregulation was found to be a process able to facilitate growth in the insurance industry and supports the expectations of Kong and Singh (2005). Socio-political instability was found to be more a proxy for poverty than an indicator for the need to insure.

2;3;5 Effect Of Insurance Industry On Economic Growth

Truly, by providing protection, insurance companies could affect economic growth through the channels of marginal productivity of capital, protection, technological innovations and savings rates. Insurance companies indemnify the ones who suffer a loss and stabilize the financial position of individuals and firms with possibility of transfer of different kinds of risks to insurance companies again, firms exposed to various risks of their liability, property, illness and disability of their employers and life of key employees have possibility of managing those risks by transferring them to insurance companies. This allows firms to

concentrate their attention and resources on their core business which lead to the willingness and ability to take real investment which will help to generate a higher level of economic growth Okey, (2012). This means that without pooling and transferring of risk which insurance companies provide, part of the economic activities would not take place and positive effects on social welfare would fail.

In other words, by creating an environment of greater security, insurance fosters investments and innovation for economic growth Eze and Okoye,(2013). Without insurance coverage, large contingency funds would be needed to protect firms against risks. Increasing availability of funds could result from kind of insurance products by which insurance companies protect from credit risk to other financial intermediation. In that way, financial intermediaries are more willing to lend funds for financing real investments which encourage economic growth.

The insurance industry could give their contribution to solving the problem of social security system. They provide protection from the financial consequences of illness and injury, unemployment and retirement. Thus, insurance products such as life, health and payment protection insurance, can substitute for government security programs. The function of providing insurance coverage could affect economic growth through savings rate channel in a mixed way.

On one side, insurance protection contributes to greater security which makes individuals and firms less careful. By offering various life insurance products that combine risk protection and savings benefits, insurance companies encourage long-term savings in an economy.

2.4 REVIEW SUMMARY/KNOWLEDGE GAP

According to the finance-growth nexus theory, financial development promotes economic growth through channels of marginal productivity of capital. Affecting economic growth through these channels is realized by functions of financial intermediaries. These functions includes the provision of means for clearing and settling payments to facilitate the exchange of goods, services and assets, the provision of a mechanism for pooling resources together and channeling them to the most productive sector of the economy for investment, risk management, and price information to help coordinate decentralized decision-making in various sectors of the economy, among others, (Merton Bodie, 1995). Nigeria, like other developing nations of the world, is made up of different kind of resources -human, capital

and systems put in place to achieve specific goals and objectives dictated by the ruling class, summary of which is to render service(s) in pursuit of welfare, or in fulfilling 'democratic dividends promised during electioneering campaigns. The people, the non-human capital (facilities) and the systems are coordinated to achieve the given objectives. The facilities comprise of buildings, infrastructures and support services. The system is the inter-link and the web that binds people and facilities together and turns them into a production system. Considerable attention has been devoted to evaluating the relationship between economic growth and financial sector of the economy. Most research on this sector centred on banking systems and securities markets with little research on the insurance sector, despite the fact that banking, securities markets and insurance perform related functions in the economy.

The few research efforts on the insurance-growth help emphasize the importance rather than concerned with negative effects the insurance sector has to transmit to the economy. The British colonial government introduced insurance business into Nigeria in 1910. Before this time some forms of traditional social insurance had been in existence in every part of Nigeria. However, there is evidence that suggested that insurance contributes both in numerical growth and otherwise to Nigerian economic by improving the money transmission mechanism and by complementing the role of banks and other financial institutions in an efficient mix of activities that would be undertaken in the absence of risk management instruments. Olalekan and Akinlo (2013), posited that Insurance is the cornerstones of modern-day financial services. Apart from its traditional role of managing risk, insurance market acts as both intermediary and as provider of risk transfer and indemnification which enabled it promotes growth by allowing different risks to be managed more efficiently, promoting long-term savings and encouraging the accumulation of capital, serving as a conduit pipe to channel funds from policyholders to investment opportunities, thereby mobilizing domestic savings into productive investment. Skipper, (1997), and Arena,(1998).

According to Vayanos and Hammound (2006), a thriving insurance sector is not only evidence of an efficient financial service sector, but it is also a key barometer for measuring a healthy economy. The insured entities are therefore protected from risks for a fee, with the fee being dependent upon the frequency and severity of the event occurring (Encarta dictionary, 2010). Hence, insurance is a commercial enterprise and a major part of the financial services industry. This sector represents the backbone of Nigeria's risk management system, ensures financial security, serves as an important component in the financial

intermediation chain, and offers a ready source of long-term capital for infrastructural projects. The role of insurance in the growth and development of our economy cannot be overemphasized, it mitigates the impacts of risks and positively correlates to growth as entrepreneurs cover their exposures. Otherwise, risk-taking abilities are hampered. Thus, a strong and competitive insurance industry is a compelling imperative for Nigeria's economic development and growth.

This study seeks to explore the relationship between the insurance sector and economic growth and thereby contributes empirically to work on a relationship that exists between economy and insurance sector. The need for this as result of growing importance of the insurance growth observed from the increasing share of the insurance sector in the aggregate financial sector in almost every developing and developed country, hence it is expedient to fill gaps in the literature that inquire on factors responsible for rapid growth of the insurance sector in the country and the impact of these on economic growth and development over the year. The objective of this study was to examine the effect of insurance industry performance on economic growth of Nigeria.

2.5 KNOWLEDGE GAP

To our knowledge, only a few studies have been published on the effect of insurance industry performance on economic growth in Nigeria because of the paucity of local literature and neglects of the importance of the insurance industry.

REFERENCES

- Adams, M.J (2005) *The Historical relation between Banking, Insurance and Economic Growth in Sudan* 1830-1998-Department of Economics, Discussion Paper. 18(2)
- Adaramola, A. O. (2002) *The Nigerian Financial Sector*: Mafoluko, OS: Oshodi.
- Adebisi, W. (2006) *Principles and Practice of Insurance*” (1st ed.) AK: Akure, Ondo, Adefemi Publishers.
- Adeyele, C.I & Muitarari, B.C(2012) “Repositioning the Nigerian Insurance Industry for Sustainable Development: *Risk Perspective European Journal of Business and Mathematics*. 6(22)
- Adeyemi, F. (1999) “*Insurance Control and Regulation in Nigeria.*” Challenges of the New millennium. *The Nigerian Insurer*. 10(17)
- Agbokogba, O. (2010) *The case of property –liability Insurance*” Willey publisher, NY: New York.
- Agwuegbo, et al. (2019) “Predicting Insurance Investment: A fact Analytical Approach. *Journal of maths & Statistical Sci. publication* 6(3).
- Ajayi, L.A. (2000) *The Elements and Scope of Insurance*, Hybrid Publishers Limited, AK: Akure.
- Arena, M. (2008) “Does Insurance Market Promote Economic Growth?” Across – Country study for industrialized and developing countries. *Journal of Risk & Insurance* 75 (4) 921 – 946.
- Adegeye, A.J, Akinwumi J.A (1988) “Instituting an Insurance Scheme for Agricultural Insurance in Nigeria” *Quarterly Journal of Administration, University of Ile-Ife, Nigeria*. 12(7) pp 3 – 7.
- Agbaje, A.R (2005) *Health Insurance and Managed care in Nigeria*. *Annals of Ibadan Post Graduate Medicine* (3) 4.
- Ahujannah, L.I. Et al. (2007) “*Commerce for Secondary Schools*, African First Publishers, ON Onitsha.
- Anyaele, J.U (2003) “*Comprehensive Commerce for Senior Secondary Schools A*. Johnson Publishers, SU: Surulere.
- Agbakoba, O. (2010) “*The case of property –liability Insurance*”. Willey Publishers NY: New York. ISBN 97828586647,
- Ajakaiye, M.B (2001) “*Banking Industry and the Development of Agriculture*. An Assessment and prospect. Paper presented at a seminar organized by financial Institution training centre on 27th June 2001.

- Allen, F.A (1998) ‘*The theory of financial Intermediation*’ *Journal of Economic Surveys*. 3(5).
- Audu, I. (2002) “*NHIS will abolish Industrial Strike*” Nigerian Tribune, Tuesday, January 1.
- Arena, M. (2006) “Does Insurance Market Promote Economic Growth and Employment in the Eu”? *Journal of Risk and Insurance*. 7 (3) pp 3 – 6.
- Aweh A. A. (2008) “*Readings in Economic Planning*” Olugbenga Press, AD: Ado-Ekiti.
- Awosika L. (2005) “*Health Insurance and Managed care in Nigeria*. Annals of Ibadan Post Graduate Medicine (3) No, pp 40 -50.
- Badejo, M. (1998) “*Limitations and Scope of Insurance*. Hybrid Publishers Limited, AK: Akure.
- Barro, R.J et al. (1995) “Economic Growth. NY: New York, McGraw Hill. Inc.
- Beck T, & Webb, I. (2003) “Economic, Demographic and Institutional Determinants of life Insurance Consumption across countries.” *The World Bank Economic Review* vol. 17, pp. 51 – 88.
- Beenstock, M, et al. (1988) “The Relationship between property liability, Insurance Penetration and Income. An International Analysis” *Journal of Risk and Insurance*, Vol. 55 No. 2.
- Bikker, R. (2008) “Competition and Efficiency in the Dutch Life Insurance Industry” *Journal of Risk and Insurance*. 16(8).
- Bodie, Z, (1990) “Pensions as Retirement Income”. *Insurance Journal of Economic Literature*, 28 (01).
- Bossone, B. (1998) “*Circuit Theory of finance and the role of incentives in financial Sector Reform*. World Bank.
- Bowers, N.L. Et al. (1997) “*Actuarial Mathematics Illinois*: Society of Actuaries. CBN, Annual Reports for years 1981-2008.
- Broune, M.J & K. Kihohg (1998) “An International Analysis of Life Insurance Demand” *The Journal of Risk and Insurance*, 60 (4).
- Broune, M.J, Chung, J.W and E.W. Fees (2000)” International Property – Liability Insurance Consumption” *Journal of Risk and Insurance*” 67 (1) 73-90.
- Brainard, L. (2006) “What is the Role of Insurance in Economic Development?” The World Bank Working Paper, series No 018.

- Catalan, M. et al. (1997) "Contractual Savings or Stock Market Development; Which leads" Policy Research Paper No. 2421, World Bank, DC Washington.
- Central Bank of Nigeria (1997) "Nigeria: Major Economic and Financial Indicators" Annual Report Publication of Central Bank of Nigeria, Abuja.
- Central Bank of Nigeria (2012) Statistical Bulletin' vol.23 CBN Publication.
- Cling, K.S et al. (2000) "Causal Relationship Between Life Insurance, Fund and Economic Growth, Evidence from Malaysia, Asian Economic Bulletin 8 (13).
- Chui, A.C.7 C.C knot (2008) "National Culture and Life Insurance Consumption" *Journal of International Business Studies*, 39: 88-101.
- Das, U.S. et al. (2003) "Insurance and Issues in Financial Soundness", IMF Working Paper 03 (138).
- Davis, E.P (2000) "Portfolio Regulation of life Insurance Companies and Pension Fund" Paper Presented to OECD Insurance Committee Meeting on the 30th November in 2000.
- Dickson, P.G.M (1960) "The Sun Insurance Office: The History of Two and a Half Centuries of British Insurance London 1 (40).
- Dickey, D.A, fuller, W.A (1979) "Distribution of Estimators for Autoregressive Time Series With a Unit Root. *Journal of American Statistical Association* 74 (3) pp. 427-431.
- Dittoh, S. (1988). "Risk and Risk Management in Tree/Cash Crops Production in Nigeria." Workshop paper on Risk Management and Administration, of Agricultural Insurance in Nigeria. Department of Agricultural Economics, University of Ibadan.
- Dowlings, W. (1982) "Insurance Industries goes global" *business America*, PP9-12.
- Eke, E. (1992) "Principle of insurance." IB: Ibadan, Dekaal Publishers. ISSB: 823-201-502-8.
- Engel R.F. & Granger C.W.J (1987) "Cointegration and Error Correction: Representation, Estimation and Testing. *Econometrica*, 55(2), 251-276.
- Esho, N., Kirievsky, A. Ward, D & Zubruegg, F. (2004) "Law and the Determinants of Properties – Causality Insurance. *Journal of Risk and Insurance*, 71 (2), 265 –283, American Risk and Insurance Association.
- Eze, O.R & Okoye, V. (2013) "Analysis of Insurance Practices and economic growth in Nigeria; using co-integration Test and Error Correction Model. *Global Advanced Research Journals*.Vol.2 (1)pp.063-070 Retrieved from www.garj.org.garjmbbs.Index.htm.

- Fatula, O. (2007) “*The Imperative of Recapitulation and Consolidation in the Nigeria Insurance Industry* 1 (1 & II) Ikeja Bar Review p.128.
- Falagan, J.I. (1991) “*Insurance: An Introductory Text* Lagos, University of Lagos Press.
- Farara, G. (2003) “*An Empirical Reassessment of the Relationship Between Finance and Growth* Working Paper 3(123).
- Fola, D. (2011) “We aim for Trillion naira income with Compulsory Insurance’ An Interview with Nike Popoola on the NACOM’s plan to move the sector forward, Sunday Punch, January 9.
- Fomi, M., Reclin, L. (1996) “Dynamic Common Factors in Large Cross-sections, *Empirical Economics* 21:27-42.
- Fukayama, F. (1995) “The Social Virtues and the Creation of Prosperity. Hanisch Hamilton, LO:, London.
- Geweke, J. (1977) “*The Dynamics Factors Analysis of Economic Time Series, In Latent variables in Socio-Economic Models*, ed. by D.J. Aigner and A.S. Goldberger, Amsterdam: North Holland.
- Gibbons, R. (2007) “The Global Insurance Market has come of Age”. *International Insurance Quarterly* Vol 2, No, 14.
- Goldsmiths, R. (1969) “*Financial Structure and Development*, New Haven: NY: Yale University Press.
- Grace, M.F. & Rebelle, M.J. (1993) “*Financing and the Demand for Corporate Insurance*” Geneva Papers on Risk and Insurance Vol. 18 p. 147.
- Gollier, C. (2003) “*To Insure or not to Insure? An Insurance Puzzle*” Geneva Papers on Risk and Insurance, vol 24, No.3 pp 67-82.
- Haiss, P. & Sumegi, K (2008) “The Relationship of Insurance and Economic Growth In Europe. A *Theoretical and Empirical Analysis*”, *Empirica*, vol 35, No. 4. pp.405 – 431
- Harvard, R.F (1939) “An Essay in Dynamic Theory”, *Economic Journal*, Vol 49. pp. 14-33.
- Hanssels, S. et al. (2005) “*Stimulating the Demand for Insurance. Risk Management and Insurance Review* vol. 8 (5).
- Ibrahim, A. O.B. (2012) “Does financial structure Development drive economic performance? Theoretical and Empirical evidence from Nigeria.” *European Journal of Business and Social Sciences*.
- Imparido, G. et al. (2003) “*Impact of Contractual Savings Institutions on Societies Market*. The Work Bank Policy Research, Working Paper, 2984.

- Inegbenebor A.U (2006) “*Fundamentals of Entrepreneurship Malt House Press*, Lagos Isimoya, O.A. (2003)”Risk Management and Insurance Application, 2nd ed, Malt House Press Ltd, LA Lagos.
- Irukwu, J.O. (1980) “*Reinsurance in the Third World*, IB: Ibadan, The Caxton press, West Africa Ltd.
- Irukwu, J.O. (2001) Agricultural Insurance Marketing in the 1990’s: A paper Presented at the 2001 NAIC Management Conference. *Published by WAICA Journal*, Vol xv (2001).
- Irang, E.R.H (1979) “*General Principles of Insurance Law*, London: Butterworths BU Insurance Library.
- Jafiya, I.A (2002) “Interview in the farmer's shield: *A House Journal of the Nigerian Agricultural Insurance Company*. 3(3).
- James, E & Vittas, D. (1999) “*The Decumulation (Payout) phase of Defined Contribution Pillars Development Research Group*. The World Bank.
- Johansen, G. (1988) “Statistical; Analysis of Cointegrating Vectors” *Journal of Economic Dynamics and Control*, pp. 231-254.
- King, R. & R. Levine, (1993) “Finance and Growth” Schumpeter Might be right”, *The Quarterly Journal of Economics* Vol. 108.(3) pp 717 – 737.
- King, R. G. & S. Rebedo (1990) “Public Policy and Economic Growth Developing, Neoclassical Implications: *Journal of Political Economy*, Vol. 98 pp. 126.
- Kong, J. & M. Singh (2005) “*Insurance Companies in Emerging Markets*” IMF Working Paper 05 (88).
- Kugler, M & Ofoghi, R. (2005), “*Does Insurance Promote Economic Growth? Evidence from the Division of Economics, University of Southampton*, UK. [www. Essex.ac.uk/afm/mmf/ index.html](http://www.Essex.ac.uk/afm/mmf/index.html).
- Kunle, E. (2010)”*Challenges of the Global and Nigerian Economic and Business The environment on the Insurance Industry.*” [from www. Kpng. com](http://www.Kpng.com).
- Levine, R. (1997) “Financial Development and Economic Growth: views and agenda” *Journal of Economic Literature*, 35(2): 688-726.
- LIM, C., Haberman S. (2003) “Macroeconomic Variables and the demand for life Insurances in Malaysia” faculty of Actuarial Science and Statistics, FASS Business School, City University. London.
- Lucas, R.E. (1988) The Mechanics of Economic Development” *Journal of Monetary Economics*, Vol. 22 (1).

- Marijuana, C., Sandra L, Line, P. (2009) “*Insurance Sector Development and Economic Growth in Transition Countries*” Int. R.Cs. J. Finance and Economics, Issue 34. (2).
- Metiboba, S. (2011) “Nigerian National Health Insurance Scheme.” The needs for Beneficiary Participation Research *Journal of International Studies*, Issue ISSN:1453-212x Issue 22. pp51 -56 <http://www.eurojournals.com/international-studies.htm>
- Merton, R.C. (1995) *A conceptual framework for analyzing the Financial Environment*: Harvard Business School Press, pp. 3-31.
- Mings S. et al. (2012) “*Does Insurance Demand or Financial Development Promote Economic Growth? Evidence from Taiwan*, Applied Economics Letters, 19(2).
- Mittal, L & Gupta, (2008) “*Principles of Insurance and Risk Management*. New Delhi, ND: India, Sultan Chad and Sons.
- Miller, W. (1981) *Theoretical Concepts of Insurance Production.*” The Geneva Papers on Risk and Insurance 63-83.
- Mojekwu, J.N. et al. (2011) The Impact of Insurance Contributions on Economic growth in Nigeria” *Journal of Economics and International Finance* Vol. 3 (7). Pp. 444 – 451, from www.academicjournals.org.
- Monogbe, T.G. (2015) “ Impact of Insurance sector Development on the growth of Nigeria economy. *International Journal of Advanced Academic Research, Social Sciences*.
- National Insurance Commission (2012) “*Annual Report and Audited Accounts*. A publication of NAICOM National Bureau of Statistics (Nigeria) Annual Nigerian abstract of statistics (2012), Abuja, Nigeria. 14 (3).
- Nwinee, B. F (2012) “Empirical evidence of Insurance Investment and Economic Growth in Nigeria. Reiko International *Journal of Business and Finance*. Vol.4, No.5.
- Obinna, D.M. and Nkiru, S.O.(2014) “*The empirical evidence of Nigerian Insurance Business, Capital Market and Economic Growth*. International Journal of Innovation and Scientific Research. Vol.4, No.2.
- Obinna, D.M. and Mike, A.(2014) “*The Causal Relationship between Life insurance Economic Growth in Nigeria*. International Journal of Innovation and Scientific Research. Vol 4, No. 2.
- Odedokun, M. (1998) Financial Intermediation and Economic Growth in Developing Countries” *Journal of Economic Studies* vol. 25(2-3) pp. 203 -220.

- Ogunshola, A.O. (1979) "Social Security and Private Pension Practice in Nigeria" London *Journal on Internal Employees Benefits*, Volume 3, No. 3 pp 2-10.
- Oke, M.O. (2012) *Insurance Sector Development and Economic Growth in Nigeria*. Africa Journal of Business Management Vol. 6 (23) pp. 7016-7023.
- Okere, P.A. et al. (2015) " Insurance sector Development and Economic Growth of Nigeria. International Research *Journal of Education and Innovation*. Vol.1, No.6.
- Oluoma, R.O. (2014) "*Impact of Insurance Market Activity on Economic Growth: Evidence from Nigeria*" A PhD Thesis University of Nigeria, Enugu Campus. Unpublished.
- Omoke, P.C. (2012) "*Insurance Market Activity and Economic Growth: Evidence from Nigeria*" Asian Economics and Social Society, vol. 1 (4), pp 245 – 253.
- Osipitan, T. (2009) "Legal Regulation of Insurance Business In Nigeria: Problems and Prospects" *Chartered Insurance Institute of Nigeria Journal* vol. 11. (1) pp.69 -82.
- Osukunle, B. (2002) "Impact of Regulation of Insurance Business in Nigeria, Problems and Prospects" *Chartered Insurance of Nigeria Institute of Nigeria Journal* vol. 11.(2).
- Outrevile; J.F. (1990) Life Insurance Markets in Developing Countries." *Journal of Risk and Insurance*, 63 (2) pp 263 – 278.
- Owojori & Oluwagbuyi (2011) "Effect of Insurance Business on Economic Dev. In Nig. *Journal of Emerging Trends in Economics and Management Sciences*. 2 (4).
- Patrick, H.T. (1966) "*Financial Development and Economic Growth in Underdeveloped countries*. Economic Development and Cultural Change, xx,174 – 89.
- Peter, R.H, Kjell, S. (2006) "*Relationship of Insurance and Economic Growth, a Theoretical and Empirical analysis*" A paper presented at the 2006 Ecomod Conference, Hong Kong. June 28-30th.
- Randle, A & R, Ahuja (2001) "*Impact on Savings via Insurance Reforms*", *Indian Council for Research on International Economic Relations: Working Paper* p. 67.Rajan, R.G and Zingales, L. (1998) "Financial Dependence and Growth. The American Economic Review, vol. 88.
- Romer, P.M. (1987) "Increasing Returns and Long-run Growth" *Journal of Political Economy*. Vol 94. (2) pp 1002.
- Rule, D. (2001) "*Risk transfer between Banks, Insurance Companies and Capital Markets*" *Financial Stability Review* No 11. pp 127 – 159.
- Shittu, A.I. (2012) "Financial Intermediation and Economic Growth in Nigeria" *British Journal of Arts and Social Sciences* 4(2).

- Solew, R.M. (1956) "A contribution to the theory of Economic Growth" *The Quarterly Journal of Economics*. Pp 65 – 94.
- Skipper, H.D. (2001) "Insurance in the general agreement on trade in services." American Enterprises. *European Journal of Business and Management*. Vol. 4 (5).
- Taiwo, P.O & A.E. Akinlo (2011) "Financial Sector Reforms and the Performance of The Nigerian economy: *The review of finance and Banking*, vol. 3 (1) pp. 47- 60.
- Taiwo, A. (2013) The Causal Relationship between Insurance and Economic Growth In Nigeria. *Australian Journal of Business and Management Research*. Vol. 2 (12) <http://11www.agbm2.com/articlepdg/aus-29-41i2n2a7p.4>
- Tijani, M.O (2015) "Nexus between Economic Growth and Insurance business in Nigeria." *Research Journal of Finance*. Vol.6,no.9.
- Uche, U.C & B.E Chikeleze, (2001) "Reinsurance in Nigeria The issue of compulsory Legal cession" *The Geneva Papers on Risk and Insurance*, vol. 26 (3).pp.490- 504.
- Ugwuanyi, W. (2004) "Introduction to Financial Analysis and Project Evaluation" John Kens and Willy Publishers, LA: Lagos.
- USAID (2006) "Assessment of how strengthening the Insurance Industry in Developing Countries Contributes to Economic Growth." U.S.A USAID.
- Usman, O.A. (2009) "Scale Economies and performance Evaluation of Insurance The market in Nigeria" *Medwell Journal of Scientific Research*. Vol.4, issue 1. Doi: science.2009.1.11.
- Ward, D & R. Zurbruegg (2000) "Does Insurance Promote Economic Growth? Evidence from OECD countries" *Journal of Risk Insurance* 67(4). pp. 487 – 506.
- Wadlamannati, K.C. (2008) "Do Insurance Sector Growth and Reforms affect Economic Development?" *Empirical Evidence from Indian Journal of Applied Economics Resources*, 2 (1). Pp. 43 – 86.
- Wallace, J. (1988) "The five causes and Technical field Intelligence work of the joint Five research organization" *Journal of Royal Statistics*. London, vol. 3. (4) p 130.
- Webb, I, Grace, M.F, & H.D Skipper (2002) "The effect of Banking and Insurance on The Growth of Capital and Output" Center for risk management and insurance, working paper 02.
- Yakubu, G. (1999) "Insurance in Nigeria in the 21st Century, Paper Presented at a Public Lecture to mark the 25th Anniversary of the Nigerian Insurance Association.

Zhuo, Z. (1998) "Insurance Sector Development and Economic Growth, *An Empirical Analysis from China Portfolio Management*, University of Mannheim. 10(2).

Zubuegg, W.D. (2000) "Does Insurance Promote Economic Growth? Evidence from OECD countries" *the Journal of Risk and Insurance*. Pp 489-506.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

This study adopts the *ex-post facto* and analytical design. A research design is a kind of blueprint that guides the researcher in his investigation and analysis. Research design also refers to the format which the researcher employs to systematically apply the scientific method in the investigation of problems (Onwumere, 2005).

This research adopted the *ex-post facto* research design. According to Kerlinger (1970), *ex-post facto* research is that in which the independent variable has already occurred and in which the researcher starts with the observation of a dependent variable or variables. Onwumere (2005), posits that *ex-post facto* research design establishes a causal link between variables. This study which is to examine the relationship between the insurance industry and the Nigerian economy, causality analysis is a cause-effect study as well as secondary data; *ex-post facto* research design seems to be the best research design for this study.

3.2 Nature and Sources Of Data

This study used secondary data. Secondary data according to Onwumere (2005), refers to data which has been collected by individuals or agencies for purposes other than those of our particular research study. A secondary source of data was used in this study because it is available for all who wish to use them, i.e. NAICOM and CBN statistical Bulletin which is appropriate and adequate to draw conclusions and answer the questions or solve the problem at hand in this study. The secondary data used for this study was generated from the official sources such as CBN statistical Bulletin and NAICOM obtaining data from the CBN statistical Bulletin and NAICOM, it is believed, constitutes the most authoritative reliable and accessible documents for assessing the relationship between the insurance industry and the Nigerian economy.

3.3 Model Specification

This study is largely quantitative and builds on existing studies and methodologies. The analytical procedures adopted in this study to test the hypothesis are as follows: multiple regression models, Granger causality test, co-integration test, unit root test and ordinary least squares. The above methods are used mainly to avoid some challenges which include the issue of subjecting and bias of responses and relationships between variables.

In this study, the model is specified in line with the works of Oke (2012), Marijuana et al. (2009), Ward and Zurbrugg (2000), Kugler & Ofoghi (2005). In the analysis of insurance sector development and economic growth in Nigeria by Oke (2012), using a modified model used by Marijuana et al. (2009), the study used the Gross domestic product growth rate (GDPGR) at the market price as the dependent variable and for the independent or explanatory variables, Oke (2014) added number of Insurance Companies in Nigeria (NIC) and Total Insurance Investment (TII) into the modified model.

The model is however modified in this study by using the Gross Domestic Product growth rate (GDPgr) as dependable variable and by adding the following to the explanatory variables:

Insurance penetration (both life and non-life, savings, expenditures, Bank Credit to the private sectors, investment and Total assets with their time series data covering the period between 1988 and 2012. Therefore, the model for this study, given the stated hypothesis can be specified as thus:

For hypothesis one which states that life insurance penetration does not have a positive and significant effect on the growth of Nigerian economy, it was represented as follows:

$$GDPGR = LINP + u \dots \dots \dots 3.1$$

Where

GDPgr = gross domestic product growth rate

LINP = Life insurance penetration

Incorporating other control variables, we have;

$$GDPGR = LINP + SAV + GEXP + PII + INV \dots \dots \dots 3.2$$

Where:

GDPGR = gross domestic product growth

LINP = Life insurance penetration

SAV = Savings

GEXP = Expenditure

PII = Profits of insurance industry

INV = Investments

U = *Error term*

For hypothesis two which states that Non-life insurance business does not have a significant positive effect on the Nigerian economic growth;

$$\mathbf{GDPGR = NLINP + u \dots \dots \dots 3.3}$$

Where:

GDPgr = gross domestic product growth rate

NLINP = Non *life* Insurance penetration

U = *Error term*

Introducing other control variables, we have

$$\mathbf{GDPGR = NLINP + SAV + GEXP + PII + INV i \dots \dots \dots 3.4}$$

Where;

GDPgr = gross domestic product growth rate

NLINP = Non-Life Insurance penetration

SAV = Savings

GEXP = Expenditure

PII = Profits of Insurance industry

INV = Investments

U = *Error term*

For hypothesis three which states that insurance density does not have a significant positive effect on the Nigerian economic growth;

$$GDPGR = INSDNTY + u \dots\dots\dots 3.5$$

Where:

GDPgr = gross domestic product growth rate

INSDNTY = Insurance Density

U = Error term

Introducing other control variables, we have

$$GDPGR = INSDNTY + SAV + GEXP + PII + INV \dots\dots\dots 3.6$$

Where;

GDPgr = Gross domestic product growth rate

INSDNTY = Insurance Density

SAV = Savings

GEXP = Expenditure

PII = Profits of Insurance industry

INV = Investments

U = Error term

For hypothesis four which states that insurance industry's expenditure does not have a significant positive effect on the Nigerian economic growth

$$GDPGR = INEXP + u \dots\dots\dots 3.7$$

Where

GDPgr = gross domestic product growth rate

INEXP = Insurance industry Expenditure

U = error term

Introduction of other control variables;

$$GDPGR = INEXP + SAV + EXP + PII + INV + u \dots\dots\dots 3.8$$

Where:

GDPgr = Gross domestic product growth rate

INEXP = Insurance Industry Expenditure

SAV = Savings

EXP = Expenditure

PII = Profits of Insurance industry

INV = Investments

U = Error term.

A Priori Expectation

Insurance industry variable is expected to have a positive impact on the GDP growth rate because, it is a contributor to economic growth in the country, a rise in insurance industries would increase Nigeria's GDP growth rate. Likewise, the other variables such as savings, expenditures, the profitability of insurance industry, investment and total assets etc. are all expected to boost production and increase the GDP growth rate; these suggest that on a priori ground, they are all expected also to have positive signs as well.

3.4 DESCRIPTION OF MODEL VARIABLES

3.4.1 Dependent Variables

Gross Domestic Product (GDP) growth rate

Gross domestic product growth rate: It refers to the percentage change in a country's gross domestic product (GDP) when compared with the previous or the preceding year. It is significant for this study because it has been able to take care of the supposed effects of other economic variables beginning with the inflation rate. This is a slight departure from the study of Holsboer (1999), Ward and Zurbruegg (2000) and Njegomir and Stojic (2010) where they made use of the per capita gross rate of Nigeria's gross domestic product as their dependent variable in their studies.

3.4.2 Independent Variables.

Insurance Density (*INSDNTY*)

Insurance density is measured as the total premium divided by population (defined as premium per capita). The premium income directly depicts the interest of the economy in insurance coverage; thus it was used to capture the level of insurance market activity in Nigeria. Insurance market activity is expected to be positively related to economic growth; this implies that the higher people demand insurance premiums, the higher the economic growth in the country. Therefore in line with the work of Ward and Zurbruegg (2000), this study adopted this measure as a proxy for insurance density.

Life Insurance Penetration (LINP): Life Insurance is a way of dealing with risk and also a saving medium for consumers. It plays important psychological and social roles. The major function of life insurance is to protect against financial loss from loss of human life. Besides covering the risk of death, it also covers that risk of disability, critical illness and

superannuation. Life Insurance is therefore developed on the concept of human life value. The premium of life Insurance was used in measuring Insurance sector growth (Oke, 2012).

Non-life Insurance Penetration (NLINP)

Non-life Insurance is an Insurance business that does not deal with life. Using outverille (1990) and Beestock et al. (1988), this study will adopt total non-life premium as an independent variable.

Profit of Insurance Industry (PII)

Profit of Insurance Industry refers to the total profit generated by the insurance industry in a year. Profit of Insurance industry is obtained by deducting total expenditure from total income. This measure will be consistent with the works of Zhuo (1998) who investigated the impact of life and non-life insurance on the growth of China.

Government expenditure (GEXP)

The government has an important role in the establishment of a framework for private sector development in any economy. However, numerous theoretical and empirical research suggests the larger government consumption, the less developed will be a financial system, especially the Insurance Industry Njegomir & Stojic, (2010). In this study, government expenditure will also be introduced to capture the effect of government expenditure on economic growth.

Government Savings (SAV)

Government's total savings are used by the government to help on the rainy days. It will be used as a proxy and as a central variable to measure the level of economic growth.

Investment (INV)

Investment here refers to total insurance business investment. It shows the level of nation's growth. The higher the investment, the healthier the growth of that nation.

3.5 Techniques Of Analysis

In this study, multiple regression was used to test the hypotheses stated in this study. Regression is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables, with a view to estimating or predicting the population mean or average value of the former in terms of the known or

fixed (in repeated sampling) values of the latter (Gujarati and Porter, 2009). Regression is used in modelling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variables Onwumere, (2003).

3.6 Econometric Tests Conducted

3.6.1 Unit Root Test:

It is common for macroeconomic variables to increase or less frequently, decrease over time. A variable that increases over time is examples of non-stationary variables and estimating such variables with the ordinary least square regression (OLS) usually produces spurious results. Put by Lavan & Paul (2004),“A frequent response to the problem of unit roots is to ensure that all variables used in regression are stationary by differencing or re-trending them and then to use the resulting stationary process to estimate the equation of interest” This means determining whether the variables follow a non-stationary trend of the order of 1 denoted as $I(1)$ or whether the series is stationary, ie. of the order of 0 denoted as $I(0)$. When the unit roots show that the variables are integrated of the same order, then an error correlation model may be applied.

3.6.2 Co-Integration Test

The existence of long-term equilibrium (stationary) relationships among economic variables is referred to as co-integration. If the variables are stationary, the cointegration test using Johansen will be undertaken to establish whether there is a long-run relationship between the variables in the model. The null hypothesis assumes non-co integration; while the alternative implies cointegration. The economic interpretation of cointegration is that if two or more series are linked to form an equilibrium relationship spanning the long-run \Rightarrow , then even though the series themselves may be non-stationary, there will more closely together over time, and their difference will be stationary. Their long-run relationship is the equilibrium to which the system converges over time.

3.6.3 Estimation Procedure

The model was estimated using the ordinary least square (OLS) methods, but specified as a simple dynamic model to see if the variables being studied affect the GDP growth rate to avoid spurious results, the time series properties of the variables in the model were determined with the tests mentioned above like the stationarity test, cointegration tests and the coefficient of determination (R^2).

REFERENCES

- Asika, N. (2006) *Research Methodology in the Behavioral Sciences*, Long man Publishers, LA: Lagos.
- Anyawale, A.B. (2007) *FDI and Economic Growth; Evidence from Nigeria*” Africa Economic Research Consortium (AERC), Research paper 165, Nairobi, April.
- Beenstock, M. et al. (1988) The relationship between property Liability Insurance Penetration and income; An International Analysis” *Journal of Risk and Insurance*. 8 (5).
- Chakrabarti, A. (2001) “*The determinant of foreign Direct Investment Sensitivity analysis of cross-country Regression* Kyklos vol 54, 89 -112.
- Coleman, S. (2000) Access to Capital and Terms of Credit, Comparative Analysis of men, women-owned Small Business” *Journal of Small Business Management* 38 (3) July, 37-52.
- Escho, N. et al. (2004)”Law and the Determinants of Properties Causality Insurance.” *Journal of Risk and Insurance*. 71 (2) 265 -283, American Risk and Insurance Association.
- Gujarati, D.N & Porter D.C (2009) *Basic Econometrics*, (5TH ed.), Singapore; SI: McGraw Hill Int. Edition.
- Holsboer, J.H (1999) “*Repositioning the Insurance Industry in the Financial sector and its Economic Role*”. The Genera Papers on Risk and Insurance, vol 24 (3).
- Kerlinger, F.N (1973) “ *Foundation of Behavioral Research Techniques in Business and Economics*, (11th ed), Boston: BO McGraw Hill Irwin.
- Kugler, M, & Ofoghi, R. (2005) “*Does Insurance Promote Growth? Evidence from the The UK*”, Working Paper, University of Southampton.
- Marijuana, C. & Sandra R. (2009). “*Insurance Sector Development and Economic Growth in Transition countries*”. International Resources Journal of Finance and Economics Issue 34. (5).
- Njegomir, V. & D. Stojic (2010) “*Does Insurance Promote Economic Growth? The evidence from Ex-Yugoslavia Region*” Ekon MISAO IPRAKSA XIX BR.V .pp 31 – 48.
- Oke, M.O. (2012) “Insurance Sector Development and Economic Growth:” In Nigeria. Africa *Journal of Business Management* 6 (23). Pp.7016 -7023. DOI: 10 5897/AJBM. 11. 2853.
- Oluoma, R.O. (2014) “*Impact of Insurance Market Activity on Economic Growth in Nigeria*” A PhD Thesis proposal presented to the Department of Banking & Finance, University of Nigeria, Enugu Campus. Unpublished.

- Omoke, P.C. (2012) “*Insurance Market Activity and Economic Growth: Evidence from Nigeria*”, *Asian Economics and Social Society*, vol. 1, No. 4 pp 245 – 253.
- Onwumere, J.U.J. (2005) *Business and Economic Research Method*, Lagos: LA. Don-Vinton Limited.
- Outreville, J.F (1990) “The Economic Significance of Insurance Market in Developing countries” *Journal of Risk and Insurance* Vol.10 (3), pp. 487 – 498.
- Ram, Y. (2003) *An empirical examination of the Export-led Growth Hypothesis in Fiji*. Economics Department, Reserve Bank of Fiji, Suva Fiji.
- Randle, A. & R. Ahuja (2001) “*Impact of Savings via Insurance Reform*”, Indian Council for Research on International Economic Relations, working paper. P 67.
- Szablicki, R. (2002) “*Growth and the life Insurance market*” Draft paper from the Department of Economics, Vienna University of Business Administration and Economics 3 (7).
- Ward, D. & Zurbrugg (2000) “Does Insurance Promote Economic Growth? Evidence from OECD Countries”. *Journal of Risk and Insurance*, 67 (4) 489-506.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 PRESENTATION AND INTERPRETATION OF DATA

Data are presented and interpreted in line with the objectives and models of the study. The data used to test the hypotheses are presented in table 4.1 through to table 4.4.

Objective 1: To examine the effect of life Insurance Industry penetration on economic growth in Nigeria.

Table 4.1: Shows data relating to gross productivity

Year	GDPGR	LINP	SAV	GEXP	PII	INV
1988	7.58	4563.60	23.25000	8.300000	149.2000	4897.20
1989	7.15	5678.20	23.80000	15.00000	124.4000	4974.30
1990	11.36	7546.40	29.65000	24.00000	349.8000	5178.30
1991	0.01	8763.50	37.74000	28.30000	376.4000	7635.80
1992	2.63	8954.20	55.12000	39.80000	35.40000	8239.90
1993	1.56	9983.30	85.03000	54.50000	-74.40000	9973.40
1994	0.78	10457.40	110.9700	70.90000	10872.80	10998.40
1995	2.15	10735.10	108.4900	121.1000	9222.500	11921.80
1996	4.13	11783.40	134.5000	212.9000	7234.500	12379.50
1997	2.89	12345.30	177.6500	269.7000	10019.60	13613.10
1998	2.82	12567.60	200.0700	309.0000	10672.20	15656.90
1999	1.19	13276.40	277.6700	498.0000	4956.400	21583.50
2000	4.89	13783.80	385.1900	239.5000	8418.000	25192.60
2001	4.72	14423.70	488.0500	438.7000	12330.20	32157.30
2002	4.63	14786.90	592.0900	321.4000	14087.90	36940.90
2003	9.57	15123.80	655.7400	241.7000	27392.50	54642.80
2004	6.58	15456.40	797.5200	351.3000	29347.20	74590.80
2005	6.51	15567.50	1316.960	519.5000	37945.90	121844.2
2006	6.03	15946.90	1739.640	552.4000	39084.20	216359.9
2007	6.45	16274.40	2693.550	759.3000	80246.10	329247.9
2008	5.98	30735.70	4118.170	960.9000	119793.4	336491.4
2009	6.96	36833.30	5763.510	1152.800	127991.3	343894.2
2010	7.98	43039.20	5954.260	883.9000	146560.6	351459.9
2011	7.43	57996.10	6531.910	918.5000	173548.1	359192.0

2012	6.58	60348.33	8062.900	874.8000	188938.4	365832.6
2013	6.88	67389.80	8656.120	1108.400	199827.3	476382.7
2014	6.24	71982.30	12008.21	1206.400	208387.2	563725.8
Mean	5.247407	22457.13	2260.287	451.1481	54364.34	141296.6
Median	6.030000	14423.70	488.0500	321.4000	12330.20	32157.30
Maximum	11.36000	71982.30	12008.21	1206.400	208387.2	563725.8
Minimum	0.010000	4563.600	23.25000	8.300000	-74.40000	4897.200
Std. Dev.	2.766855	19930.54	3331.180	392.4756	71662.06	176156.0
Skewness	-0.087680	1.447914	1.500877	0.578277	1.122158	0.967331
Kurtosis	2.526777	3.645847	4.158504	1.988157	2.650112	2.474705
Jarque-Bera	0.286527	9.903309	11.64674	2.656625	5.804299	4.521212
Probability	0.866526	0.007072	0.002958	0.264924	0.054905	0.104287
Sum	141.6800	606342.5	61027.76	12181.00	1467837.	3815007.
Sum Sq. Dev.	199.0427	1.03E+10	2.89E+08	4004965.	1.34E+11	8.07E+11
Observations	27	27	27	27	27	27

Source: Researcher's E-views Computation

Note: GDPGR = Gross domestic Product Growth rate,

LINP = Life Insurance Penetration

SAV= Government Savings

GEXP= Government Expenditure

PII = Profit of Insurance Industry

INV = Investment

As indicated in table 4.1, the value of the average gross domestic product growth rate (GDPGR) within the period of this study was 5.25 %. While the medium value was 6.03 rates, Nigeria GDP growth rate was highest in 1990 when the value was 11.36 percent while the year with the least value of GDPGR was in 1991 when the value was 0.01%. As revealed by the skewness of the GDP growth rate, there was a positive skewness (2.77) of the GDPGR indicating that the degree of departure from the mean of the distribution is positive revealing that in the overall there was a consistent increase in real gross domestic product from 1988 to 2014. Though as indicated by the Kurtosis which was $2.53 < 3.0$ and not the normal value indicate that the degree of peakedness within the period of this study was not normally distributed, this implies that most of the values do not hover around the mean. The Jarque-

Bera statistic is an indication of the normality of distributions and was 0.29, and since the probability is greater 0.05, the distribution is not normally distributed.

For life insurance penetration, the meanwhile within the period of this study was N22457.13 while the medium value was N14423.70 Life insurance penetration in Nigeria was highest in 2011 when the value was N71982.30 while the year with the least life insurance penetration was in 1998 to 2006 when the value was N4563.6. As revealed by the skewness (1.45) of life insurance penetration indicating that the degree of departure from the mean of the distribution is positive revealing that overall there was a consistent increase in life insurance penetration from 1988 to 2014. Though as indicated by the Kurtosis which was $3.65 > 3$ which is the normal value indicates that the degree of peakedness within the period of this study was normally distributed as most of the values hover around the mean. The Jarque-Bera statistic which is an indication of the normality of distributions was 9.90 and since the probability equal 0.007 and less than 0.05, it implies that the distribution is normally distributed.

For savings, the mean within the period of this study was N2260.29 while the medium value was N488.05. Savings in Nigeria was highest in 2014 when the value was N12008.21 while the year with the least savings was in 1996 when the value was N23.25. As revealed by the skewness (1.50) of life insurance penetration indicating that the degree of departure from the mean of the distribution is positive revealing that overall there was a consistent increase in life insurance penetration from 1988 to 2014. Though as indicated by the Kurtosis which was $4.16 > 3$ fell above the normal value indicates that the degree of peakedness within the period of this study was normally distributed as most of the values hover around the mean. The Jarque-Bera statistic which is an indication of the normality of distributions was 11.65, and since the probability equal to 0.0029 and less than 0.05, the distribution is normally distributed.

For government expenditure, the mean within the period of this study was N451.15 while the medium value was N321.40. Government expenditure in Nigeria was highest in 2014 when the value was N1205.400 while the year with the least life insurance penetration was in 1988 when the value was N8.300. As revealed by the skewness (0.57) of government expenditure indicating that the degree of departure from the mean of the distribution is positive but low revealing that overall there was an inconsistent increase in life insurance penetration from 1988 to 2014. Likewise, as indicated by the Kurtosis which was $1.99 < 3$ which fell below the normal value indicates that the degree of peakedness within the period of this study was not

normally distributed as most of the values did not hover around the mean. The Jarque-Bera statistic which is an indication of the normality of distributions was 2.66, and since the probability equal 0.27, the distribution is not normally distributed.

For PII, the mean within the period of this study was N54364.34 while the medium value was N12330.20. PII in Nigeria was highest in 2011 when the value was N208387.2 while the year with the least life insurance penetration was in 1993 when the value was N-74.4. As revealed by the skewness (1.12) of PII indicating that the degree of departure from the mean of the distribution though positive reveals that in the overall there was an inconsistent increase in PII from 1988 to 2014. Likewise, as indicated by the Kurtosis which was $2.65 < 3$ which fell below the normal value indicates that the degree of peakedness within the period of this study was not normally distributed as most of the values hover around the mean. The Jarque-Bera statistic which is an indication of the normality of distributions was 5.80, and since the probability equal 0.05, it implies that the distribution is normally distributed.

For investment, the mean within the period of this study was N141296.6 while the medium value was N32157.30. Investment in Nigeria was highest in 2011 when the value was N563725.80 while the year with the least investment was in 1996 when the value was N4897.20. As revealed by the skewness (0.97) of investment indicating that the degree of departure from the mean of the distribution though positive reveals that in the overall there was an inconsistent increase in investment from 1988 to 2014. Likewise, as indicated by the Kurtosis which was $2.48 < 3$ which fell below the normal value indicates that the degree of peakedness within the period of this study was not normally distributed as most of the values hover around the mean. The Jarque-Bera statistic which is an indication of the normality of distributions was 4.52, and since the probability equal 0.10, it implies that the distribution is not normally distributed.

Objective 2: To assess the effect of life Insurance penetration on economic growth in Nigeria.

Table 4.2: Gross Domestic Product growth rate and Life Insurance Penetration in Nigeria

Year	GDPGR	NLINP	SAV	GEXP	PII	INV
1988	7.58	486.6000	23.25000	8.300000	149.2000	4897.20
1989	7.15	673.1000	23.80000	15.00000	124.4000	4974.30
1990	11.36	1013.700	29.65000	24.00000	349.8000	5178.30
1991	0.01	1296.200	37.74000	28.30000	376.4000	7635.80
1992	2.63	2445.700	55.12000	39.80000	35.40000	8239.90
1993	1.56	4931.900	85.03000	54.50000	-74.40000	9973.40
1994	0.78	14519.10	110.9700	70.90000	10872.80	10998.40
1995	2.15	13525.10	108.4900	121.1000	9222.500	11921.80
1996	4.13	11091.30	134.5000	212.9000	7234.500	12379.50
1997	2.89	10941.60	177.6500	269.7000	10019.60	13613.10
1998	2.82	11688.30	200.0700	309.0000	10672.20	15656.90
1999	1.19	14597.30	277.6700	498.0000	4956.400	21583.50
2000	4.89	22531.50	385.1900	239.5000	8418.000	25192.60
2001	4.72	28981.30	488.0500	438.7000	12330.20	32157.30
2002	4.63	37765.90	592.0900	321.4000	14087.90	36940.90
2003	9.57	43441.80	655.7400	241.7000	27392.50	54642.80
2004	6.58	50100.80	797.5200	351.3000	29347.20	74590.80
2005	6.51	67465.60	1316.960	519.5000	37945.90	121844.2
2006	6.03	81583.80	1739.640	552.4000	39084.20	216359.9
2007	6.45	89104.90	2693.550	759.3000	80246.10	329247.9
2008	5.98	126470.3	4118.170	960.9000	119793.4	336491.4
2009	6.96	153127.1	5763.510	1152.800	127991.3	343894.2
2010	7.98	157336.8	5954.260	883.9000	146560.6	351459.9
2011	7.43	175756.8	6531.910	918.5000	173548.1	359192.0
2012	6.58	185677.4	8062.900	874.8000	188938.4	365832.6
2013	6.88	188723.1	8656.120	1108.400	199827.3	476382.7
2014	6.24	192783.9	12008.21	1206.400	208387.2	563725.8

Mean	5.247407	62520.77	2260.287	451.1481	54364.34	141296.6
Median	6.030000	28981.30	488.0500	321.4000	12330.20	32157.30
Maximum	11.36000	192783.9	12008.21	1206.400	208387.2	563725.8
Minimum	0.010000	486.6000	23.25000	8.300000	-74.40000	4897.200
Std. Dev.	2.766855	69100.10	3331.180	392.4756	71662.06	176156.0
Skewness	-0.087680	0.856494	1.500877	0.578277	1.122158	0.967331
Kurtosis	2.526777	2.145905	4.158504	1.988157	2.650112	2.474705
Jarque-Bera	0.286527	4.121781	11.64674	2.656625	5.804299	4.521212
Probability	0.866526	0.127341	0.002958	0.264924	0.054905	0.104287
Sum	141.6800	1688061.	61027.76	12181.00	1467837.	3815007.
Sum Sq. Dev.	199.0427	1.24E+11	2.89E+08	4004965.	1.34E+11	8.07E+11
Observations	27	27	27	27	27	27

Source: Researcher's E-views Computation

Note: GDPGR = Gross domestic Product Growth rate,
NLINP = Nonlife Insurance Penetration
SAV= Government Savings
GEXP= Government Expenditure
PII = Profit of Insurance Industry
INV = Investment

For life insurance penetration, the mean within the period of this study was N67624.07 while the medium value was N46771.30. Life insurance penetration in Nigeria was highest in 2011 when the value was N175756.8 while the year with the least life insurance penetration was in 1988 when the value was N486.6. As revealed by the skewness (1.68) of life insurance penetration indicating that the degree of departure from the mean of the distribution is positive revealing that overall there was a consistent increase in life insurance penetration from 1988 to 2014. Though as indicated by the Kurtosis which was $4.12 > 3$ which is the normal value indicates that the degree of peakedness within the period of this study were normally distributed as most of the values hover around the mean. The Jarque-Bera statistic is an indication of the normality of distributions was 13.78, and since the probability equal zero, the distribution is normally distributed.

Objective 3: To evaluate the effect of Insurance density in Nigeria.

Table 4.3: Gross Domestic Product growth rate and Insurance density on economic growth in Nigeria.

Year	GDPGR	INSDNTY	SAV	GEXP	PII	INV
1988	7.58	4.720000	23.25000	8.300000	149.2000	4897.20
1989	7.15	5.640000	23.80000	15.00000	124.4000	4974.30
1990	11.36	7.790000	29.65000	24.00000	349.8000	5178.30
1991	0.01	11.63000	37.74000	28.30000	376.4000	7635.80
1992	2.63	14.83000	55.12000	39.80000	35.40000	8239.90
1993	1.56	27.80000	85.03000	54.50000	-74.40000	9973.40
1994	0.78	55.81000	110.9700	70.90000	10872.80	10998.40
1995	2.15	163.5800	108.4900	121.1000	9222.500	11921.80
1996	4.13	112.6300	134.5000	212.9000	7234.500	12379.50
1997	2.89	92.64000	177.6500	269.7000	10019.60	13613.10
1998	2.82	92.07000	200.0700	309.0000	10672.20	15656.90
1999	1.19	99.33000	277.6700	498.0000	4956.400	21583.50
2000	4.89	124.4200	385.1900	239.5000	8418.000	25192.60
2001	4.72	191.1600	488.0500	438.7000	12330.20	32157.30
2002	4.63	212.5600	592.0900	321.4000	14087.90	36940.90
2003	9.57	276.6700	655.7400	241.7000	27392.50	54642.80
2004	6.58	317.8800	797.5200	351.3000	29347.20	74590.80
2005	6.51	372.5600	1316.960	519.5000	37945.90	121844.2
2006	6.03	521.7200	1739.640	552.4000	39084.20	216359.9
2007	6.45	582.3500	2693.550	759.3000	80246.10	329247.9
2008	5.98	699.4000	4118.170	960.9000	119793.4	336491.4
2009	6.96	1043.380	5763.510	1152.800	127991.3	343894.2
2010	7.98	1260.770	5954.260	883.9000	146560.6	351459.9
2011	7.43	1329.900	6531.910	918.5000	173548.1	359192.0
2012	6.58	1551.420	8062.900	874.8000	188938.4	365832.6
2013	6.88	1657.650	8656.120	1108.400	199827.3	476382.7
2014	6.24	1872.530	12008.21	1206.400	208387.2	563725.8
Mean	5.247407	470.4756	2260.287	451.1481	54364.34	141296.6

Median	6.030000	191.1600	488.0500	321.4000	12330.20	32157.30
Maximum	11.36000	1872.530	12008.21	1206.400	208387.2	563725.8
Minimum	0.010000	4.720000	23.25000	8.300000	-74.40000	4897.200
Std. Dev.	2.766855	579.0020	3331.180	392.4756	71662.06	176156.0
Skewness	-0.087680	1.220881	1.500877	0.578277	1.122158	0.967331
Kurtosis	2.526777	3.080843	4.158504	1.988157	2.650112	2.474705
Jarque-Bera	0.286527	6.714829	11.64674	2.656625	5.804299	4.521212
Probability	0.866526	0.034825	0.002958	0.264924	0.054905	0.104287
Sum	141.6800	12702.84	61027.76	12181.00	1467837.	3815007.
Sum Sq. Dev.	199.0427	8716327.	2.89E+08	4004965.	1.34E+11	8.07E+11
Observations	27	27	27	27	27	27

Data Source: CBN Statistical Bulletin and Researcher's E-views Computation

Note: GDPR = Gross domestic Product Growth rate,
LINP = Life Insurance Penetration
INSNTY= Insurance Density
GEXP= Government Expenditure
PII = Profit of Insurance Industry
INV = Investment

For insurance density, the mean within the period of this study was N458.090 while the medium value was N297.2750. Insurance density in Nigeria was highest in 2012 when the value was N1551.40 while the year with the least life insurance penetration was in 1988 when the value was N4.72. As revealed by the skewness (1.05) of insurance density indicating that the degree of departure from the mean of the distribution is positive revealing that in the overall there was a relatively consistent increase in insurance density from 1988 to 2014. Though as indicated by the Kurtosis which was $2.76 < 3$ which is the normal value indicates that the degree of peakedness within the period of this study were not normally distributed as most of the values did not hover around the mean. The Jarque-Bera statistic is an indication of the normality of distributions was 3.00, and since the probability equal 0.22, the distribution is not normally distributed.

Objective 4: To Investigate the effect of Insurance Industry's expenditure on economic growth in Nigeria.

Table 4.4: Gross Domestic Product growth rate and Insurance Industry Expenditure in Nigeria.

Year	GDPGR	INEXP	SAV	GEXP	PII	INV
1988	7.58	357.5000	23.25000	8.300000	149.2000	4897.20
1989	7.15	577.4000	23.80000	15.00000	124.4000	4974.30
1990	11.36	695.1000	29.65000	24.00000	349.8000	5178.30
1991	0.01	957.8000	37.74000	28.30000	376.4000	7635.80
1992	2.63	1771.500	55.12000	39.80000	35.40000	8239.90
1993	1.56	5975.700	85.03000	54.50000	-74.40000	9973.40
1994	0.78	3798.900	110.9700	70.90000	10872.80	10998.40
1995	2.15	5365.100	108.4900	121.1000	9222.500	11921.80
1996	4.13	5916.100	134.5000	212.9000	7234.500	12379.50
1997	2.89	6499.400	177.6500	269.7000	10019.60	13613.10
1998	2.82	7174.300	200.0700	309.0000	10672.20	15656.90
1999	1.19	5923.200	277.6700	498.0000	4956.400	21583.50
2000	4.89	5629.500	385.1900	239.5000	8418.000	25192.60
2001	4.72	6110.500	488.0500	438.7000	12330.20	32157.30
2002	4.63	6856.100	592.0900	321.4000	14087.90	36940.90
2003	9.57	9415.200	655.7400	241.7000	27392.50	54642.80
2004	6.58	12084.00	797.5200	351.3000	29347.20	74590.80
2005	6.51	12402.40	1316.960	519.5000	37945.90	121844.2
2006	6.03	76276.10	1739.640	552.4000	39084.20	216359.9
2007	6.45	25133.20	2693.550	759.3000	80246.10	329247.9
2008	5.98	37412.60	4118.170	960.9000	119793.4	336491.4
2009	6.96	61969.20	5763.510	1152.800	127991.3	343894.2
2010	7.98	53815.40	5954.260	883.9000	146560.6	351459.9
2011	7.43	60204.80	6531.910	918.5000	173548.1	359192.0
2012	6.58	78365.90	8062.900	874.8000	188938.4	365832.6
2013	6.88	83762.80	8656.120	1108.400	199827.3	476382.7
2014	6.24	93523.40	12008.21	1206.400	208387.2	563725.8

Mean	5.247407	24739.74	2260.287	451.1481	54364.34	141296.6
Median	6.030000	6856.100	488.0500	321.4000	12330.20	32157.30
Maximum	11.36000	93523.40	12008.21	1206.400	208387.2	563725.8
Minimum	0.010000	357.5000	23.25000	8.300000	-74.40000	4897.200
Std. Dev.	2.766855	30597.34	3331.180	392.4756	71662.06	176156.0
Skewness	-0.087680	1.097826	1.500877	0.578277	1.122158	0.967331
Kurtosis	2.526777	2.601571	4.158504	1.988157	2.650112	2.474705
Jarque-Bera	0.286527	2.775055	11.64674	2.656625	5.804299	4.521212
Probability	0.866526	0.249692	0.002958	0.264924	0.054905	0.104287
Sum	141.6800	392822.0	61027.76	12181.00	1467837.	3815007.
Sum Sq. Dev.	199.0427	9.23E+09	2.89E+08	4004965.	1.34E+11	8.07E+11
Observations	27	27	27	27	27	27

Data Source: CBN Statistical Bulletin and Researcher's E-views Computation

Note: GDPGR = Gross domestic Product Growth rate,
 INEXP = Insurance Industry's Expenditure
 SAV= Government Savings
 GEXP= Government Expenditure
 PII = Profit of Insurance Industry
 INV = Investment

For life insurance expenditure, the mean within the period of this study was N24551.38 while the medium value was N10749.60. Life insurance penetration in Nigeria was highest in 2006 when the value was N76276.10 while the year with the least insurance expenditure was in 1988 when the value was N357.500. As revealed by the skewness (0.96) of insurance expenditure indicating that the degree of departure from the mean of the distribution is positive revealing that overall there was a slight but consistent increase in insurance expenditure from 1988 to 2014. Though as indicated by the Kurtosis which was $2.32 < 3$ which fell short of the normal value indicates that the degree of peakedness within the period of this study were not normally distributed as most of the values hover around the mean. The Jarque-Bera statistic is an indication of the normality of distributions was 2.78, and since the probability equal 0.24, the distribution is not normally distributed.

4.2 DECISION RULE

For this study the significant level is the probability of rejecting H_0 ; given that H_0 is true. Here hypothesis testing rules are constructed making the probability of a type 1 error fairly small. Common value for α 0.10, 0.05 and 0.01 although sometimes 0.001 is also used.

The rejection region (RR), delimited by the critical value is a set of values of the test statistic for which the null hypothesis is rejected. That is the sample space for the test statistic is partitioned into two regions; one region (the rejection region) will lead us to reject null hypothesis H_0 , while the other will lead us not reject the null hypothesis. Therefore, if the observed value of the test statistic ζ is in the critical region, we conclude by rejecting H_0 , if it is not in the rejection region then, we conclude by not rejecting H_0 or failing to reject H_0 . Hence, the critical approach of decision rule was adopted.

4.3 TESTING OF HYPOTHESES

Three steps were used to test the hypotheses. In step one, the hypotheses were restated in null and alternate forms. In step two, the results were analyzed while in step three, decisions were made. The decision rule involved the rejection or acceptance of the null or alternative hypotheses based on the criterion of the techniques of analysis.

4.2.1 Test of Hypothesis One

The following steps are followed:

Step One: Restatement of the Hypothesis in Null and Alternate forms:

H_{01} : Life Insurance penetration does not exert a positive and significant impact on economic growth in Nigeria.

H_{a1} : Life Insurance penetration exerts a positive and significant impact on economic growth in Nigeria.

Step Two: Presentation and Analysis of Result

Table 4.5 Regression Result for Hypothesis One**Hypothesis one**

Dependent Variable: GDPGR

Method: Least Squares

Date: 03/07/17 Time: 12:31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	-			
LINP	17.14843	2.65480	-5.86979	0.0004
SAVNGS	42.65361	39.12320	1.43059	0.1145
	-			
GEXP	123.6604	111.3413	-1.036513	0.2310
PII	7.110492	2.133562	3.536628	0.0011
	-			
INVST	0.021295	0.429467	-0.060765	0.7171
C	313145.3	21973.38	6.857786	0.0000
R-squared	0.929110	Mean dependent var	508552.8	
Adjusted R-squared	0.918736	S.D. dependent var	183216.1	
S.E. of regression	38245.44	Akaike info criterion	24.22143	
Sum squared resid	1.46E+10	Schwarz criterion	24.51115	
	-			
Log-likelihood	187.7715	F-statistic	86.46612	
Durbin-Watson stat	1.99213	Prob(F-statistic)	0.000000	

Sample (adjusted): 1988 2014

Included observations: 27

Dep. Var: GDPGR	Coefficient	Std Error	t-stat.	Prob.
LINP	-17.14843	2.65480	-5.86979	0.0004
SAVNGS	42.65361	39.12320	1.43059	0.1145
GEXP	-123.6604	111.3413	-1.036513	0.2310
PII	7.110492	2.133562	3.536628	0.0011
INVST	-0.021295	0.429467	-0.060765	0.7171
C	313145.3	21973.38	6.857786	0.0000
R ² = 0.92, ADJ. R ² = 0.91, DW = 1.99, F-STAT = 86.47, N = 27				

Source: Researcher's E-views Computation (See Appendix for software analysis)

$$\text{GDPGR} = 313145.3 - 17.15 \text{ LINP} + 42.65 \text{ SAVNGS} - 123.66 \text{ GEXP} + 7.11 \text{ PII} - 0.02 \text{ INVST}$$

Table 4.5 shows the result of the regression analysis of the impact of the life insurance penetration on the real gross domestic product of Nigeria from 1988 to 2014. The result reveals that the model for our study is well fitted (F-statistic= 86.47). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 92% of the variations observed in the dependent variable were explained by the independent variables. This was moderated by the Adjusted R-squared to 91%, indicating that there are other variables other than our explanatory variables that might also impact on the dependent variable. The result shows that LINPP had a negative and significant impact on the GDPGR of Nigerian (LINP coefficient = - 17.15, $p = 0.00 < 0.05$, t-value = - 5.87). The control variable, SAVNGS, has a positive and non-significant impact on GDPGR (SAVNGS coefficient =42.65, $p = 0.11 > 0.05$, t-value = 1.43). Also, GEXP had a negative and non-significant impact on GDPGR (GEXP coefficient = -123.66, $p = 0.23 > 0.05$, t-value = - 1.04). Likewise, PII had a positive and significant impact on GDPGR (PII coefficient = 7.11, $p = 0.00 < 0.05$, t-value = 3.54). While INVST had negative and non-significant impact on GDPGR (INVST coefficient = - 0.02, $p = 0.72 > 0.05$, t-value = - 0.06).

Decision: Based on the result above, we accept the null hypothesis and reject the alternative. Thus, life insurance penetration does not exert a positive impact on economic growth in Nigeria, although the t-value shows that it was statistically significant in spite of being negative.

4.2.2 Test of Hypothesis Two

We follow the following steps-

Step One: Restatement of the Hypothesis in Null and Alternate forms:

H₀: Non- life Insurance business does not exert a positive and significant effect on economic growth in Nigeria.

H_a: Non- life Insurance business exert a positive and significant effect on economic growth in Nigeria.

Step Two: Presentation and Analysis of Result

Table 4.6 Regression Result for Hypothesis Two

Hypothesis Two

Dependent Variable: GDPGR

Method: Least Squares

Date: 03/07/17 Time: 01:14

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLNP	4.523065	0.733974	7.971760	0.0000
-	-	-	-	-
SAVNGS	65.13234	26.43255	-3.265410	0.0054
-	-	-	-	-
GEXP	70.04228	69.72787	-1.291313	0.2256
PII	0.923520	0.917443	0.673289	0.3822
INVST	0.262278	0.213713	1.325101	0.4230
C	321515.4	23144.00	9.923451	0.0001
R-squared	0.968432	Mean dependent var	508552.8	
Adjusted R-squared	0.952123	S.D. dependent var	183216.1	
S.E. of regression	23977.83	Akaike info criterion	23.28764	
Sum squared resid	5.75E+09	Schwarz criterion	23.57736	
-	-	-	-	-
Log-likelihood	180.3011	F-statistic	123.5125	
Durbin-Watson stat	1.934524	Prob(F-statistic)	0.000000	

Dep. Var: GDPGR	Coefficient	Std Error	t-stat.	Prob.
NLINP	4.523065	0.733974	7.971760	0.00
SAVNGS	-65.13234	26.43255	-3.265410	0.01
GEXP	-70.04228	69.72787	-1.291313	0.22
PII	0.923520	0.917443	0.673289	0.38
INVST	0.262278	0.213713	1.325101	0.42
C	321515.4	23144.00	9.923451	0.00
R ² = 0.97, ADJ. R ² = 0.95, DW = 1.94, F-STAT = 123.51, N = 27				

Source: Researcher's E-views Computation (See Appendix for software analysis)

$$\text{GDPGR} = 269565.6 + 5.85 \text{ NLINP} - 86.31 \text{ SAVINGS} - 90.04 \text{ GEXP} + 0.66 \text{ PII} + 0.20 \text{ INVST}$$

Table 4.6 shows the result of the regression analysis of the impact of the non-life insurance penetration on the real gross domestic product of Nigeria from 1988 to 2014. The result reveals that the model for our study is well fitted (F-statistic= 123.51). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 97% of the variations observed in the dependent variable was explained by the independent variables.

This was moderated by the Adjusted R-squared to 95%, indicating that there are other variables other than our explanatory variables that might also impact on the dependent variable. The result shows that NLINP has a positive and significant impact on the GDPGR of Nigeria (NLINP coefficient = 4.52, $p = 0.00 < 0.05$, t-value = 7.97). The control variable, SAVNGS, has negative but significant impact on GDPGR (SAVNGS coefficient = - 65.13, $p = 0.01 < 0.05$, t-value = - 3.27). Also, GEXP had a negative but significant impact on GDPGR (GEXP coefficient = - 70.04, $p = 1.29 > 0.05$, t-value = - 1.29). Likewise, PII had a positive but non-significant impact on GDPGR (PII coefficient = 0.92, $p = 0.38 > 0.05$, t-value = 0.67) while INVST had a positive and non-significant impact on GDPGR (INVST coefficient = 0.26, $p = 0.42 > 0.05$, t-value = 1.33).

Decision: From the analysis above we reject the null hypothesis and accept the alternate which indicates that non-life insurance penetration had a positive and significant impact on economic growth in Nigeria.

4.2.3 TEST OF HYPOTHESIS THREE

The following steps are followed:

Step One: Restatement of the Hypothesis in Null and Alternate forms:

H₀₃: Insurance density does not exert positive and significant impact on economic growth in Nigeria

H_{a3}: Insurance density exerts a positive and significant impact on economic growth in Nigeria.

Step Two: Presentation and Analysis of Result

Table 4.7 Regression Result for Hypothesis Three

Hypothesis three

Dependent Variable: GDPGR

Method: Least Squares

Date: 03/17/17 Time: 12:39

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INSDNTY	662.4311	213.2136	3.54755	0.0014
	-			
SAVNGS	119.4866	52.13211	-2.562442	0.0211
GEXP	154.1332	142.5232	1.214303	0.2215
PII	4.225173	1.835319	2.722570	0.0312
INVST	5.248984	2.968341	2.265401	0.0432
C	203679.3	68924.69	3.955099	0.0144
R-squared	0.930233	Mean dependent var		508552.8
Adjusted R-squared	0.912245	S.D. dependent var		183216.1
S.E. of regression	44658.18	Akaike info criterion		24.53146
Sum squared resid	1.99E+10	Schwarz criterion		24.82118
	-			
Log-likelihood	190.2517	F-statistic		118.3311
Durbin-Watson stat	1.691270	Prob(F-statistic)		0.000000

Dep. Var: GDPGR	Coefficient	Std Error	t-stat.	Prob.
INSDNTY	662.4311	213.2136	3.54755	0.0014
SAVNGS	-119.4866	52.13211	-2.562442	0.0211
GEXP	154.1332	142.5232	1.214303	0.2215
PII	4.225173	1.835319	2.722570	0.0012
INVST	5.248984	2.968341	2.265401	0.0243
C	203679.3	68924.69	3.955099	0.0004
R ² = 0.93, ADJ. R ² = 0.91, DW = 1.69, F-STAT = 118.33, N = 27				

Source: Researcher's E-views Computation (See Appendix for software analysis)

$$\text{GDPGR} = 203679.3 + 779.87 \text{ INSDNTY} - 179.23 \text{ SAVNGS} + 199.04 \text{ GEXP} + 2.56 \text{ PII} + 0.42 \text{ INVST}$$

Table 4.6 shows the result of the regression analysis of the impact of insurance density on the real gross domestic product of Nigeria from 1988 to 2014. The result reveals that the model for our study is well fitted (F-statistic= 118.33). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 93% of the variations observed in the dependent variable was explained by the independent variables.

This was moderated by the Adjusted R-squared to 91%, indicating that there are other variables other than our explanatory variables that might also impact on the dependent variable. The result shows that INSDNTY has a positive and significant impact on the GDPGR of Nigerian (INSDNTY coefficient = 662.43, $p = 0.00 < 0.05$, t-value = 3.55). The control variable, SAVNGS, has a negative and non-significant impact on GDPGR (SAVNGS coefficient = - 119.49, $p = 0.02 < 0.05$, t-value = - 2.56). Also, GEXP had a positive but non-significant impact on GDPGR (GEXP coefficient = 154.13, $p = 0.22 > 0.05$, t-value = 1.21). Likewise, PII had a positive and significant impact on GDPGR (PII coefficient = 4.23, $p = 0.04 < 0.05$, t-value = 2.72) while INVST had negative and significant impact on GDPGR (INVST coefficient = 5.25, $p = 0.03 < 0.05$, t-value = 2.27).

Decision: From the analysis above we reject the null hypothesis and accept the alternate which indicates that insurance density had a positive and significant impact on economic growth in Nigeria.

4.2.4 Test Of Hypothesis Four

We follow the following steps:

Step One: Restatement of the Hypothesis in Null and Alternate forms:

H₀₄: Insurance Industry's expenditure does not exert positive and significant effect on economic growth in Nigeria.

H_{a4}: Insurance Industry's expenditure exerts a positive and significant effect on economic growth in Nigeria.

Step Two: Presentation and Analysis of Result

Table 4.7 Regression Result for Hypothesis four

Hypothesis four

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/21/16 Time: 02:57

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INEXP	1.053236	1.583518	0.665124	0.5210
SAVNGS	7.317179	77.92771	-0.093897	0.9270
GEXP	151.3278	198.6587	-0.761747	0.4638
PII	1.795007	3.084884	0.581872	0.5735
INVST	0.767767	0.558515	1.374659	0.1993
C	371011.3	65234.15	5.687379	0.0002
R-squared	0.919577	Mean dependent var	508552.8	
Adjusted R-squared	0.879366	S.D. dependent var	183216.1	
S.E. of regression	63635.32	Akaike info criterion	25.23972	
Sum squared resid	4.05E+10	Schwarz criterion	25.52944	
Log-likelihood	195.9178	F-statistic	22.86865	
Durbin-Watson stat	0.556648	Prob(F-statistic)	0.000036	

Hypothesis four

Dep. Var: GDPGR	Coefficient	Std Error	t-stat.	Prob.
INEXP	2.25463	0.583518	1.75521	0.1610
SAVNGS	-5.987579	44.7191	-0.23512	0.2155
GEXP	-144.7189	128.447	-1.23147	0.2318
PII	2.54157	2.84456	0.87110	0.3125
INVST	0.71861	0.45156	1.60019	0.1943
C	375621.3	17234.15	6.73752	0.0012
R ² = 0.89, ADJ. R ² = 0.87, DW = 1.45, F-STAT = 42.87, N = 27				

Source: Researcher's E-views Computation (See Appendix for software analysis)

$$\text{GDPGR} = 371011.3 + 1.05 \text{ INEXP} - 7.32 \text{ SAVNGS} - 151.33 \text{ GEXP} + 1.80 \text{ PII} + 0.77 \text{ INVST}$$

Table 4.6 shows the result of the regression analysis of the impact of insurance expenditure on the real gross domestic product of Nigeria from 1988 to 2014. The result reveals that the model for our study is well fitted (F-statistic= 42.87). The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 89% of the variations observed in the dependent variable was explained by the independent variables.

This was moderated by the Adjusted R-squared to 87%, indicating that there are other variables other than our explanatory variables that might also impact on the dependent variable. The result shows that insurance expenditure has a positive but non-significant impact on the GDPGR of Nigerian (INEXP coefficient = 2.26, p = 0.16 > 0.05, t-value = 1.76). The control variable, SAVNGS, has a negative and non-significant impact on GDPGR (SAVNGS coefficient = - 5.99, p = 0.22 > 0.05, t-value = - 0.24). Also, GEXP had a negative but non-significant impact on GDP growth rate (GEXP coefficient = - 144.72, p = 0.23 > 0.05, t-value = - 1.23). Likewise, PII had a positive but non-significant impact on GDP growth rate (PII coefficient = 2.54, p = 0.31 > 0.05, t-value = 0.87) while INVST had a positive and non-significant impact on GDP growth rate (INVST coefficient = 0.72, p = 0.19 > 0.05, t-value = 1.60).

Decision: From the analysis above we reject the null hypothesis and accept the alternate which indicates that Insurance Expenditure had a positive effect on economic growth in Nigeria although it was not statistically significant.

4.4. IMPLICATIONS OF RESULTS

For this study, the implications of the results were discussed in line with the objectives of the study as follows:

Objective 1: To examine the effect of life-insurance penetration on economic growth of Nigeria.

Life insurance plays important psychological and social roles. It also protects against financial loss of human life. It was observed from the finding of this study that life insurance penetration does not exert a positive effect on economic growth of Nigeria, although the t-value shows that it was statistically significant despite being negative. This finding is in line with that of Kjosevsk, (2011). Ideally, life insurance companies facilitate long-term investments rather than short-term investments as in the case of non-life insurance companies according to Radle and Ahuja (2001), but in the case of Nigeria, the life assurance patronage is very low.

Objective 2: To assess the impact of non-life insurance penetration on economic growth in Nigeria.

This study employed non-life premiums as a measure of non-life insurance penetration. The result of the hypothesis revealed that non-life insurance penetration had a positive and significant effect on economic growth in Nigeria. The finding was in line with Kjosevski, (2011). This is because, in Nigeria, most people prefer to insure their properties than to assure their own lives.

Objective 3: To evaluate the effect of insurance density on economic growth in Nigeria.

For this study, insurance density is measured as the total premium divided by the population (premium per capita). The premium income directly depicts the interest of the economy in insurance coverage. Thus, it was used to capture the level of insurance market activity in Nigeria. Insurance performance is expected to be positively related to economic growth, because, the higher the people demand services and pay premiums, the higher the economic growth in the country, Oluoma, (2014). From this study, it was revealed that insurance density had positive and significant effect on the economic growth in Nigeria and it is consistent with the work of (Oluoma, 2014, Ward and Zurbruegg, 2000), Mojekwu, et

al.(2011) and Katty, et al. in Hadhek, (2014). Ward and Zurbruegg, (2000) used aggregate variables in their estimation and found a long-run relationship between development in the insurance market; causality tests show that there is a long run causality from growth of insurance market size to the economic growth of 8 out of 9 insurance markets (the exception of pecuniary loss insurance). Causality in short-run exists from life, liability and pecuniary loss insurance to economic growth and there is an evidence of a bidirectional causal relationship in the long run between economic growth and insurance market size for three insurance categories.

Objective 4: To investigate the effect of insurance industry's expenditure on economic growth in Nigeria.

Government world over has an important role in the establishment of a framework for both private and public sector development in any economy. Numerous theoretical and empirical research suggests that the larger the government consumption, the less developed will be the financial system, especially insurance density, Njegomir and Stojic, (2010). Here, government expenditure will be introduced to capture the effect of government expenditure on economic growth. Pen Fen et al. (2011) investigated the effect of insurance and economic growth and what conditions affect the insurance-growth nexus. These conditions include the degree of financial development, private savings rates, social security expenditures, income, life expectancy and geographic regions. The finding of this study which indicates that government expenditures had a positive but not significant effect on economic growth in Nigeria was in line with the work of Pen- Fen, et al. (2011).

REFERENCES

- Hadhek, Z. (2014), *Insurance and economic growth. Journal of economic and sustainable development*. Vol.5 (12).
- Kjosevski, J. (2011), *The impact of insurance on economic growth. The case for Macedonia*. Stopanska, AD, Vol.4.
- Mojekwu, J.N.et al. (2011), The impact of insurance contribution on economic growth in Nigeria. *Journal of economics and International finance*. Vol.3 (7).
- Njegomir, V. & Stojic, C.(2010) *Does insurance promote economic growth? The evidence from Ex Yugoslavia Region*. EKON MISAO IPRAKSA XIX (1).
- Oluoma, R. (2014) *Impact of insurance activity on economic growth in Nigeria*. An unpublished PhD Thesis submitted to the Department of Banking & Finance, University of Nigeria, Nsukka.
- Pen- Fen, C. et al.(2011) How does the development of the life insurance market affect economic growth? Some International evidence. *Journal of International Development*. 4(2).
- Randle, A. and Ahuja, R. (2001) *Impact of savings via insurance Reform*. Indian Council for Research on International Economic Relations. Working paper, 67.
- Ward, D. and Zurbruegg, R.(2000) Does insurance promote economic growth? Evidence from OECD countries. *Journal of Risk and insurance*. 67(4).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The findings that emanated from this study are as follows:

1. Life insurance penetration exerted a negative but significant impact on economic growth in Nigeria during the period.
2. Non-life insurance penetration had a positive and significant effect on economic growth in Nigeria.
3. Insurance density had a positive and significant effect on economic growth in Nigeria. The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 93% of the variations observed in the dependent variable was explained by the independent variables.
4. Insurance expenditure had a positive but non-significant effect on the economic growth in Nigerian. The coefficient of determination (R-square), which measures the goodness of fit of the model, indicates that 89% of the variations observed in the dependent variable was explained by the independent variables.

5.2 CONCLUSION

The role of the insurance industry in an economy with regards to economic growth and development cannot be played down and at the same time underestimated. One of the primary expectations of most people that buy insurance premium is to have for themselves a secure future. As a result, a nation that seeks the welfare of its citizens must as a matter of priority emphasize the need to build and develop a stable and vibrant insurance industry to foster all-round economic growth and development.

The Nigerian insurance industry has evolved from its traditional role of managing risk, insurance market activity, both as an intermediary and as a provider of risk transfer and indemnification. The expected offshoot of the insurance industry is to promote growth by allowing different risks to be managed more efficiently through promoting long-term savings, encouraging the accumulation of capital and the investment of the same.

Hence, this study examines the insurance market activities which are aimed at securing economic growth for the Nation. This is because; given the nation's huge potential in terms of resource endowment and her market size, it becomes obvious that given the right environment and initiative there is no height the nation's economy cannot attain.

In the meantime, the results obtained from the hypotheses tested indicate that insurance industry has had a positive impact on economic growth in Nigeria, although the life insurance penetration had a significantly negative effect on GDPGR. It implies that as the insurance industry in Nigeria is much driven by the nonlife insurance penetration as against the life insurance penetration. As such, the Nigerian insurance industry still left much to be desired .i.e. the insurance sector of Nigeria has not fully maximized the potentials available to it in terms of the benefits and opportunities in the insurance industry which are yet to be tapped. As such, for the insurance industry in Nigeria, there are more opportunities waiting to be explored for the overall good and benefits of all and sundry thereby enhancing the growth of the Nigerian economy as a whole.

5.3 RECOMMENDATIONS

Therefore, this study recommends amongst others that:

1. Based on the fact that Life insurance premium had a negative and significant relationship with economic growth, it implies that there has been a departure from life insurance to nonlife insurance. That is, all of the available potential of the life insurance industry can muster are yet to be fully tapped. As such, policy efforts should be aimed at ensuring that these potentials are fully utilized. This is where the role of Government agencies like National Insurance Commission (NAICOM) and Central Bank of Nigeria (CBN), should strictly enforce the implementation of compulsory group life insurance cover under the Pension Reform Act, 2004. In addition, life insurance companies should come up with life products mainly designed for the low-income earners as the target which will enhance penetration and deepen the market. It will also be necessary to develop products that will optimize both investment returns to policy holders and financial protection to their dependents. The impulse of this on the saving habits of the people cannot be overemphasized and its overall impact on the Nigerian economy as a whole.

2. Likewise, the positive and significant impact of non-life insurance penetration on economic growth also suggests that there has been an upward movement and advancement of nonlife insurance penetration. The study, therefore, recommends that more awareness should be created to enhance the participation of product industry and firms as this will deepen the activities of the insurance industry in Nigeria. Furthermore, this study recommends an increased diversification of insurance products, especially in the non-life businesses. The insurers should come up with new non-life products and a modification of existing insurance products, thus availing customers the opportunity of choosing from a variety of products. There is also need for the insurance companies to take advantage of the non-life insurance products made compulsory by law to substantially increase their premium income and deepen insurance penetration in the economy as this will foster economic growth in Nigeria.
3. Insurance density which is a measure of the ratio of total premium to population was found to be statistically significant and impactful. Hence, this impact and feat should be highly sustained and enhanced. Since this also means that more activities are being generated in the industry and highly sustained to serve as an attraction and bait for investors. This is because; the availability of insurance services is essential for the stability of the economy and can make the business participants accepting aggravated risks. Hence, this study further recommends a facilitation of linkages between various financial institutions in the country that will lead to greater penetration in the Nigerian insurance industry and its overall impact on the economy.
4. Insurance expenditure also had a positive but non-significant relationship with economic growth in Nigeria. As such, more funds should be set aside and channelled towards boosting the insurance industry activities thereby strengthening economic growth potentials in Nigeria.

5.4 RECOMMENDATIONS FOR FURTHER STUDIES

For further studies, this study recommends as follows:

1. The focus of this study was to examine the effect of insurance industry performance on economic growth in Nigeria. Since the study is an aggregation of the entire economy, further studies in this area could endeavour to look at a separate effect of

insurance industry activity on the breakdown of the Nigerian economy into sectors like industrial, agricultural, power, mining and manufacturing.

2. Likewise, further studies could examine the effect of insurance industry activity on investment decision by both foreign and local investors. This could serve as a measure of the growth of the insurance sector in Nigeria.

5.5 CONTRIBUTION TO KNOWLEDGE

1. The researchers observed that most of the works reviewed tend to be foreign-based. This study contributes therefore by way of geography. This is because the study used local data and materials obtained from the Central Bank of Nigeria's Statistical Bulletin while adopting a multi-dimensional approach combining theoretical and empirical approaches, This study also contributed to knowledge as it adds to local literatures within the Nigerian economy context.
2. The study contributed also in the area of methodology, modelling to be precise. It modified models of pioneering works of Hadhek, (2014), Mojekwu, et al. (2011) and Oluoma, (2014). This study used Gross Domestic Product Growth Rate (GDPGR) as the dependent variable which other studies on this topic did not use yet as their own dependent variable to our knowledge . The modification of models is noteworthy. This study also contributed to knowledge as it adds to local literatures within the Nigerian economy context.
3. The study equally contributed to knowledge by boosting the insurance awareness in Nigeria. This study pointed out that many Nigerians are not assuring their lives and insuring their properties with insurance companies because they are ignorant of it's benefits. The study did not only educate the readers about the importance of insurance, but also educated us that insurance policy is also a tool for risk management and capital formation. It confronts the inadequate awareness which is one of the greatest challenge facing the insurance profession and industry in Nigeria.

BIBLIOGRAPHY

- Adams, M., Andersson, J., Andersson, L & Lindmark M. (2006). *The historical relation between banking, insurance, and economic growth in Sweden: 1830 to 1998*. Retrieved from <http://neumann.hec.ca/gestiondesrisques/dim/Papers/Adams.pdf> on 12/01/13.
- Adebisi W. (2006). *Principles and practice of Insurance: First Edition*, Ondo: Adefemi Publisher.
- Abu- Bader, S & Abu- Qarn A (2008). *Financial development and economic growth. The Egyptian experience. Journal of Policy Modelling*, 30(5), 887-898.
- Adaramola, A. O. (2002). *The Nigerian financial sector*. Lagos: Libra Consult.
- Adebisi, W. (2006). *Principles and practice of insurance: First Edition*. Ondo: Adefemi Publisher.
- Adeda, S. (2013). *The insurance industry in perspective*. Journal of Chartered Insurance Institute of Nigeria (CIIN), 13 (1)13 - 19. Afolabi, J.A. (2004). Implications of the consolidation of banks for the Nigerian banking system. Paper presented at the NDIC organized Workshop for FICAN Enugu.
- Agbaje, A. R. (2005). *Accounting for specialized transactions, First Edition*. Ibadan: Akins Prints.
- Agbakoba, O. (2010). *The case of property-liability insurance*. New York: Wiley Publishers
- Aghion, P. & Howitt, P (1990). *A model of growth through creative destruction*. *Econometrical*, 60(5)323-51.
- Agu, C. C. (1987), "*Financial institutions and economic development: The experience of Nigeria*", *The South African Journal of Economics*, 54(4)319-331
- Agwuegbo, S.O.N, Adewole, A.P & Maduegbuna, A.N (2010). Predicting insurance investment: a factor analytic approach. *Journal of Mathematics, Statistics and Science* 6(3) 321-324.
- Akintola-Bello, O (1986). *Investment behaviour of insurance companies in Nigeria*. *CBN Financial Review*, 7 (4)35-47
- Alasiri, W.A. (2013). Stimulating the Nigerian Economy through marketing of Life and Pension Products. *Journal of Chartered Insurance Institute of Nigeria (CIIN)*, 13(1)27-36.
- Allen, F. & Santomero, A.M (1999). *What do financial intermediaries do?*. The Wharton School, University of Pennsylvania
- Arena, M (2006). Does insurance market activity promote economic growth?. *World Bank Policy Research*, (Assessed from <http://www.econ.worldbank.org> on 02/09/12)

- Arena, M. (2006). Does insurance market promote economic growth and employment in the EU. *Journal of Risk and Insurance*, 34(5)921-946
- Arena, M. (2006). *Does insurance market activity promote economic growth? A cross-country study for industrialized and developing countries*. World Bank Policy Research Working Paper 4098
- Arena, M. (2008). Does insurance market activity promote economic growth? a cross-country study for industrialized and developing countries. *Journal of Risk and Insurance*, 32(6)921- 946
- Aweh, A. A. (2008). *Readings in Economic Planning*. Ado-Ekiti: Olugbenga Press
- Babalola, R (2008). *The role of the Insurance industry in the Nigerian economy*. A paper delivered by the Honorable Minister of State for Finance at the BGL Limited Insurance Roundtable, Eko Hotel and Suites, Victoria Island, Lagos, 31st July
- Badejo, M. (1998). *Limitations and scope of insurance*. Akure: Hydrid Publishers Limited
- Bagehort, W. (1873). *Lombard Street*. Homewood, Illinois: Prentice Hall.
- Balogun, E.D. (2007). *A review of Soludo's perspective of banking sector reforms in Nigeria*. MPRA Paper No. 3803
- Balogun, E. D. (2007). *Banking sector reforms and the Nigerian economy: performance, pitfalls and future policy options*. MPRA Paper No. 3804, posted 07. November 2007 / 03:28
- Bangake, C & Eggoh, J. (2011). *Further evidence on finance-growth causality: a panel data analysis*. *Economic Modelling*, 35(2)176-188
- Bardhan, P. (1995). *The contribution of endogenous growth theory to the analysis of development problems: an assessment*. In J. Behrman and T. N. Srinivasan (eds.) *Handbook of Development Economics*, Vol. III, New York, NY: Elsevier Science
- Beale, L., Ferrando, A., Hördahl, P, Krylova, E & Monnet, C (2004). *Measuring financial integration in the Euro area*. *ECB Occasional Paper* No. 14
- Beck, T. A. Demirgüç-Kunt, & Levine, R (1999). *A new database on financial development and structure*. World Bank Financial Sector Discussion Paper No. 2
- Beck, T., A. Demirgüç-Kunt, R. Levine & Maksimovic, V (2000). *Financial structure and economic development: firm, industry, and country evidence*. World Bank Working Paper Series, No 2423
- Beck, T., & Webb, I (2003). Economic, demographic, and institutional determinants of life insurance consumption across countries. *The World Bank Economic Review*, 17(1)51-88

- Beck, T. Demirgüç-Kunt, Asli & Levine, R (2003). Law and finance: why does legal origin matter?. *Journal of Monetary Economics*, 46(4)31-77
- Beenstock, M. Dickinson, G. & Khajuria, S (1988). The relationship between property liability insurance penetration and income: an international analysis. *The Journal of Risk and Insurance*, 55(2)259 – 272
- Bickelhaupt, D. (1974). *General insurance*. Homewood: Richard P. Irwin. Inc
- Blum, D. Federmair, K., Fink, G.& Haiss, P (2002). *The financial-real sector nexus: theory and empirical evidence*. Research Institute for European Affairs IEF Working Paper No. 43
- Boon, T.K (2005). *Do commercial banks, the stock market and insurance market promote economic growth? an analysis of the Singapore economy*. Working Paper of the School of Humanities and Social Studies, Nanyang Technological University.
- Bosworth, B. P. & Triplett, J.E (2004). *Price, output and productivity of insurance*, chapter 6 in services productivity in the United States: new sources of economic growth. Brookings Institution Press.
- Bowers, N.L, Gerber, H.U, Hickman, J.C, Jones, D.A & Nesbitt, C.J (1997). *Actuarial Mathematics*. Illinois: Society of Actuaries.
- Brainard, L. (2006). *What is the role of insurance in economic development?* The World Bank Working Paper Series No 018.
- Browne, M.J., & Kihong, K (1993). An international analysis of life insurance demand. *The Journal of Risk and Insurance*, 60(4): p616 – 634.
- Browne, M.J. Chung, J.W & Frees, E.W (2000). International property-liability insurance consumption. *The Journal of Risk and Insurance*, 67(1): 73-90
- Catalan, M., Impavido, G. & Musalem, A.R (2000). *Contractual savings or stock markets development: which leads?*. Policy Research Paper Nr. 2421, World Bank, Washington.
- Central Bank of Nigeria (1997). *Nigeria: major economic and financial indicators*. Annual Report Publication of Central Bank of Nigeria, Abuja.
- Chaplin, G. (1999). Insuring corporate failure: credit default swaps. Unpublished paper presented at *Actuarial Approach for Financial Risks Colloquia* in Tokyo.
- Chui, A.C & Kwot, C.C (2008). National culture and life insurance consumption. *Journal of International Business Studies*, 39(3)88-101.
- Collender, R.N & Shaffer, S.L (2002). *Bank market structure and local employment growth*. United States Department of Agriculture Technical Bulletin No. 1900 Electronic Report from the Economic Research Service.

- Daniel, F. (2012). *The insurance industry in Nigeria: opportunity and challenges*. A lecture delivered by the Commissioner of Insurance at the LBS PAN African University Breakfast meeting, March, 13.
- Das, U.S., Davies, N & Richard, P (2003). *Insurance and issues in financial soundness*. IMF Working Paper 03/138.
- Davis, E. P. & Hu, Y (2004). *Is there a link between pension-fund assets and economic growth? A cross-country study*. Public Policy Discussion Papers from Department of Economics and Finance, Brunel University, Uxbridge, Middlesex UB8 3PH, England
- Davis, E. P. (2000). *Portfolio regulation of life insurance companies and pension funds*. Paper presented at the 30 November OECD Insurance Committee Meeting in 2000.
- De Fiore, F. & Uhlig, H (2005). *Bank finance versus bond finance: what explains the differences between the US and Europe?*. Paper presented at the First Conference of the Second Phase of the ECB-CFS Research Network on competition, stability and integration in European banking Organised by CEPR/Bank of Belgium.
- Deidda, L (2006). Interaction between economic and financial development. *Journal of Monetary Economics*, 53(2)233-243.
- Demirguc-Kunt, A. & Huizinga, H (2000). *Financial structure and bank profitability*. Policy Research Working Paper Series, 2430, The World Bank.
- Demirguc-Kunt, A. & Levine, R (1999). *Bank-based and market-based financial systems: cross-country comparisons*. The World Bank and University of Minnesota Finance Department Development Research Group.
- Demirguc-Kunt, A & Makismovic, V (1998). Law, finance, and firm growth. *Journal of Finance*, 53 (6)2107-2137.
- Dickson, P.G.M. (1960). *The sun insurance office: the history of two and a half centuries of British insurance*. London: Prentice Hall.
- Dierick, F. (2004). *The supervision of mixed financial services groups in Europe*. European Central Bank Occasional Paper Series No. 20.
- Domar, E., (1946). *Capital expansion, the rate of growth and employment*. *Econometrica*, 14(5)137- 47.
- Domar, E. (1947). Expansion and employment. *American Economic Review*, 37(1)343-55
- ECB (2003). *Recent developments in financial structures of the Euro area*. ECB Monthly Bulletin, 28(5)39-52.
- Effenberger, D. (2004). *Kreditderivate: wirkung auf die stabilität der finanzmärkte*. EU Monitor Nr. 2931-14.

- Erb, R. D. (1989). *The role of the central bank*. Finance and Development, 56(4)11- 13
- Evans, G. C. (1995). *Insurance of the Person*. London: CII
- Fatula, O. (2007). The imperative of recapitalization and consolidation in the nigerian insurance industry. *Ikeja Bar Review*, 128.
- Falegan, J. I. (1991). *Insurance: An ssIntroductory Text*. Lagos: University of Lagos Press.
- Favara, G. (2003). *An empirical reassessment of the relationship between finance and growth*. IMF Working Paper 03/123.
- Fink, G. Haiss, P. & H. Sirma (2003). *Bond markets and economic growth*. Research Institute for European Affairs, University of Economics and Business Administration Vienna.
- Fink, G., Haiss, P. & G. Vuksic (2004). *Changing importance of financial sectors for growth from transition to cohesion and European integration*. IEF Working Paper No. 58, Research Institute for European Affairs, University for Economics and Business Administration Vienna
- Fink, G., Haiss, P. & H. Sirma (2005a). *Credit, bonds and stocks in seven large economies*. Paper presented at the 16th Asian Finance Association Conference (AsianFa) on the Role of capital markets in wealth creation and prosperity, Kuala Lumpur, Malaysia,
- FitzGerald, V. (2006). *Financial development and economic growth: a critical view*. Background Paper for World Economic and Social Survey 2006
- Fukuyama, F. (1995). *Trust: the social virtues and the creation of property*. London: Hamish Hamilton.
- Gaspar, A.K.A (1985). Insurance bond. *WAICA Journal published by the West African Insurance Companies Association (WAICA)*, 9(5)189 – 196.
- Goldsmith, R. (1969). *Financial structure and development*. New Haven: Yale University Press.
- Gollier, C. (2003). *To insure or not insure? An insurance puzzle*. The Geneva Papers on Risk and Insurance, 24(3)67-82
- Gries, T, Kraft, M, & D. Meierrieks (2009). *Linkages between financial deepening, trade openness, and economic development: causality evidence from Sub-Saharan Africa*. World Development, Vol. 37 (12), 1849-1860.
- Griliches, Z. (1992). The search for R&D spillovers. *Scandinavian Journal of Economics*, 94 pp. 29-47.
- Gujarati, D.N. & Porter D.C (2009). *Basic Econometrics Fifth Edition*. Singapore: Mcgraw-Hill International Edition.

- Guzman, M.G. (2000). The economic impact of bank structure: a review of recent literature. *Economic and Financial Review, Second Quarter*, 48(1)1-25.
- Haiss, P. A., & K. Sümeği (2008). The relationship of insurance and economic growth in Europe: a theoretical and empirical analysis. *Emprica*, 35(4)405-431.
- Hall, C.E, (1985). *Property & pecuniary insurance*. CII study course, London, 7(7)12.
- Hao, C (2006). Development of financial intermediation and economic growth: the Chinese experience. *China Economic Review*, 17(4)347-362.
- Harrod, R. F. (1939). An essay in dynamic theory. *Economic Journal*, 49(1)14-33
- Harrod, R. F. (1948). *Toward a dynamic economics*. London: MacMillan
- Hassan, K, Sanchez. B & J. Yu (2011). Financial development and economic growth: new evidence from panel data. *The Quarterly Review of Economics and Finance*, 51(5)88-104.
- Hicks, J. (1969). *A theory of economic history*. Oxford: Clarendon Press.
- Hofstede, G. (1995). Insurance as a product of national values. *Geneva Papers on Risk and Insurance*, 20(4)423-429.
- Holsboer, J. H (1999). *Repositioning of the insurance industry in the financial sector and its economic role*. The Geneva Papers on Risk and Insurance, 24(3)243-290.
- IMF (2000). *Macro-prudential indicators of financial system soundness*. IMF Publications
- IMF (2003a). *Financial sector assessment program – review, lessons, and issues going forward*. IMF Publications Impavido, G, Alberto R. M,& T. Therry (2003). The impact of contractual savings institutions on securities markets. *The World Bank, Policy Research Working Paper 2948*.
- Irfan, I. D. Sulaiman, A. Hussain & Jalil , M.A(2009). Effects of financial structure and financial development on economic growth: a case study of Pakistan. *European Journal of Social Sciences*, 11(3)419-427
- Irukwu, J.O. (1980). *Reinsurance in the Third world*. Ibadan: the Caxton Press (West Africa)
- Irukwu, J.O. (1989). Insurance markets in the Third world; will they play a significant role in the international insurance scheme. *Insurance Torch Journal, ASINS, ESUT*, 1(2)13-34
- Irukwu, J. O. (1991). *Risk management in developing countries*. Lagos: BIMA publications.
- Irukwu, J.O. (2001). Landmark developments in the Nigerian insurance industry: trends and future outlook. An article, in the book *A century of insurance in Nigeria*, Lagos, published by Nigerian Insurers Association.

- Ivamy, E.R.H. (1979). *General principles of insurance law*. London: Butterworths Insurance Library
- Jayarathne, J & Strahan, P (1996). The finance-growth nexus: evidence from bank branch deregulation. *Quarterly Journal of Economics* 111(8)639-670.
- Kar, M, Nazlioglu, S, & Agir, H (2011). *Financial development and economic growth nexus in the MENA countries: bootstrap panel Granger causality analysis*. *Econometric Modeling*, 28(12)685-693.
- Kerlinger, F.N. (1973). *Foundations of Behavioural Research Techniques in Business and Economics*. Eleventh Edition, Boston: McGraw Hill Irwin.
- Khan, M. & Senhadji, A (2000). *Financial development and economic growth: an overview*. *IMF Working Paper*, 00/209.
- King, R & Levine, R (1993a). Finance and growth: Schumpeter might be right. *The Quarterly Journal of Economics* 108(5)681-737.
- King, R. & Levine, R (1993b). Finance, entrepreneurship, and growth-theory and evidence. *Journal of Monetary Economics* 32(4)513-42
- King, R. G. & Rebelo, S (1990). Public policy and economic growth: developing neoclassical implications. *Journal of Political Economy*, 98(2)126-150
- Kong, J. & Singh, M (2005). Insurance companies in emerging markets. *IMF Working Paper* 05/88.
- Kotler, P. (1980). *Marketing management: analysis, planning and control*. 4th Ed; New Jersey, Prentice-Hall Inc.
- Kunreuther, H. (2002). The role of insurance in managing extreme events: implications for terrorism coverage. In *Business Economics*, National Association for Business Economics.
- Krugman, P. R. (1996). *Development, geography and economic theory*. Cambridge, MA: The MIT Press.
- Kugler, M & Ofoghi R (2005). Does insurance promote economic growth? evidence from the UK. *Division of Economics, University of Southampton*, UK.
- Kuznets, S. (1955). Economic growth and income inequality. *American Economic Review*, 45(1)1-28.
- Kuznets, S. (1966). *Economic growth of nations: total output and production structure*. New Haven: Yale University Press.
- La Porta, R. Lopez-de-Silanes, F., Shleifer, A. & Vishny, R.W (1996). *Law and finance*. NBER Working Paper No. 5661.

- La Porta, R. Lopez-de-Silanes, F., Shleifer, A. & Vishny, R.W (1997). *Legal determinants of external finance*. NBER Working Paper No. 5879.
- La Porta, R. Lopez-de-Silanes, F., Shleifer, A. & Vishny, R.W (1999). Investor protection and corporate governance. *Journal of Financial Economics* 58(1-2)3-27
- Levine, R. (2004). *Finance and growth: theory and evidence*. NBER Working Paper.
- Levine, R, Loayza, N, & Beck, T (2000). Financial intermediation and growth: causality and causes. *Journal of Monetary Economics*, 46 (1)31-77.
- Lim, C.C & Haberman, S (2006). *Macroeconomic variables and the demand for life insurance in Malaysia*. Faculty of Actuarial Science and Statistics, CASS Business School, City University London.
- Lucas, R. E., Jr., (1988). On the mechanics of economic development. *Journal of Monetary Economics*, 22(1)3-42.
- Maddison, A. (1979). Per capita output in the long run. *Kyklos* 32, Nos. 1 & 2, pp. 412-29.
- McKinnon, R. I. (1973). *Money and capital in economic development*. Washington D. C. Brookings Institution.
- McIver, C. & Naylor, G. (1980). *Marketing financial services*. Britain, Hobsons Press (Cambridge) Ltd.
- Meidan, A. (1984). *Insurance marketing*. United Kingdom, Graham Burn.
- Merton, R.C. (1995). *A conceptual framework for analyzing the financial environment*. *Harvard Business School Press*, 31(1)3-31
- Merton, R. C., (2004). On financial innovation and economic growth. *Foreword in Harvard China Review* 5(4)1-24
- Mitchener, K. J. & Wheelock, D.C (2011). *Does the structure of banking markets affect economic growth? evidence from U.S. State Banking markets*. Federal Reserve Bank of St. Louis Research Division Working Paper Series 2010-004D.
- National Insurance Commission (2001). *Nigeria insurance statistics and directory*, publication of National Insurance Commission, Abuja.
- Njegomir, V and Stojic, D (2010). *Does insurance promote economic growth: the Evidence from Ex-Yugoslavia Region*. *EKON.MISAO I PRAKSA*. XIX(1)31-48.
- Odedokun, M (1998). Financial intermediation and economic growth in developing countries. *Journal of Economic Studies*, 25(2-3)203-22.
- Odhiambo, M. (2008). *Financial depth, savings, and economic growth in Kenya: a dynamic causal linkage*. *Economic Modelling*, 25(4)704-713.

- Odhiambo, M (2011). Financial intermediaries versus financial markets: a South African experience. *International Business and Economic Research Journal*, 10 (2)77-84
- Ogunshola, A.O (1979). Social security and private pension practice in Nigeria. *London Journal on International Employee Benefits*, 3(3)2-10
- Okafor, F.O. (1993). *Financial and management of the business in a depressed economy*. Paper delivered at a seminar for the fourth Enugu International Trade Fair, organized by the Enugu Chamber of Commerce, Industry, Mines and Agriculture, Enugu, March 26.
- Oladejo, E. D (2010). Mergers & acquisitions and efficiency of financial intermediation in Nigeria banks: an empirical analysis. *International Journal of Business and Management*, 5(5) 67-83
- Oluoma, R.O. (1992). Rural insurance in Nigeria: a critical analysis. *Insurance Torch Journal*, ASINS, Enugu State University of Science & Technology, Enugu.
- Oluoma, R. O. (2002). *Life and pensions*. Paper presented at a national workshop on managing corporate insurance policies, organized by Chartered Insurance Institute of Nigeria and coordinated by Alpha Partners (Chartered Accountants and Management consultants), at YCT Royal Guest House and Conference Center, Yaba, Lagos. 11th April.
- Oluoma, R. O. (2010). *Elements of insurance*. Lagos: Impressed Publishers
- Oluoma, R. O. (2014) *Impact of Insurance Market Activities on Economic Growth in Nigeria*. An Unpublished PhD Thesis submitted to the Department of Banking and Finance, Faculty of Business Administration, University of Nigeria, Enugu Campus.
- Omar, O.E. & Owusu-Frimpong, N (2007). Using the theory of reasoned action to evaluate consumer attitudes and purchase intention towards life insurance in Nigeria. *The Service Industries Journal*, 27(7)1-14
- Omoke, P.C (2012). *Insurance market activity and economic growth: evidence from Nigeria*. Asian Economic and Social Society, 1(4)245-253
- Onwumere, J.U.J (2005). *Business and Economic Research Method*. Lagos: Don-Vinton Limited
- Osipitan, T (2009). Legal regulation of insurance business in Nigeria: problems and prospects. *Chartered Insurance Institute of Nigeria Journal* 11(1)69-82
- Osunkunle, B. (2002). *Impact of insurance in Nigeria*. Ibadan: Evans Brothers Publishers
- Outreville, J.F (1990). The economic significance of insurance markets in developing countries. *Journal of Risk and Insurance*, 53(7)487-498
- Outreville, J. F. (1996). Life insurance markets in developing countries. *The Journal Risk and Insurance*, 63(2)263 – 278

- Oyejide, A, & Soyode, A (1976). Insurance companies as investors; patterns, growth, and problems of their investment in Nigeria. *Nigerian Journal of Economics and Social Studies* 18:1.
- Pagano, M. (1993). Financial markets and growth- an overview. *European Economic Review*, 58(3)613-622.
- Prescott, E.C. (1997). Needed: *a theory of total factor productivity*. Federal Reserve Bank of Minneapolis Research Department Staff Report 242
- Prescott, E. C. (1988). Robert M. Solow's neoclassical growth model: an influential contribution to economics. *Scandinavian Journal of Economics*, 90(1)7-12.
- Pritchett, L. (1995). *Divergence, big time*. Washington, D.C.: World Bank Policy Research Working Paper 1522, Oct.
- Raikes, D. (1996). Bancassurance: European approaches to capital adequacy. *Financial Stability Review* No. 1, Bank of England.
- Rajan, R & Zingales, L (1998). Financial dependence and growth. *The American Economic Review* 88, pp. 559-586
- Randle, A & Ahuja, A (2001). *Impact on saving via insurance reform*. Indian Council for Research on International Economic Relations; Working p. 67.
- Richard, J. H. & Santomero, A.M (1996). *The role of the financial sector in economic performance*. Wharton Working Paper Series 95-08
- Rioja, F. & Valev, N (2004). Does one size fit all? a reexamination of the finance and growth relationship. *Journal of Development Economics* 74(9)429-447
- Robert, M. M & Paul, O (1988). *Marine and Aviation Insurance*. London: CII
- Romeo-Avila, D (2007). Finance and growth in the EU: new evidence from the harmonization of the banking industry. *Journal of Banking and Finance*, 31(9)1937-1954.
- Romer, P. M. (1983). *Dynamic competitive equilibria with externalities, increasing returns and unbounded growth*. Chicago: University of Chicago Department of Economics PhD Thesis, Aug.
- Romer, P. M. (1986). Increasing returns and long-run growth. *Journal of Political Economy*, 94(5)1002-37.
- Romer, P. M. (1987). *Crazy explanations for the productivity slowdown*. In S. Fisher (ed.), NBER Macroeconomic Annual, Cambridge: MIT Press
- Romer, P. M. (1990). Endogenous technological change. *Journal of Political Economy*, 98(3)71- 102

- Romer, P. M. (1993). Idea gaps and object gaps in economic development. *Journal of Monetary Economics*, 32(3)543-573.
- Romer, P. M. (1994). The origins of endogenous growth. *Journal of Economic Perspectives*, 8(1)3-22.
- Romer, P. M. (1996). *Why, indeed, in America? theory, history and the origins of modern economic growth*. Bureau of Economic Research Working Paper 5442.
- Rousseau, P., L., & Wachtel, P (1998). Financial intermediation and economic performance: historical evidence from five industrialized countries. *Journal of Money, Credit and Banking*, Vol. 30, pp. 658-678.
- Rousseau, P., L. & Wachtel, P. (2001). Inflation, financial development and growth. In Negishi, R. et al. (eds.), *Economic Theory, Dynamics and Markets: Essays in honor of Ryuzo Sato*, Deventer: Kluwer.
- Rousseau, P. & Wachtel, P (2005). *Economic growth and financial depth: is the relationship extinct already?*. Paper presented at the UNU / WIDER Conference on Financial Sector Development for Growth and Poverty Reduction, Helsinki.
- Rousseau, P.L & Wachtel, P (2007). What is happening to the impact of financial deepening on economic growth?. *Economic Inquiry*, Western Economic Association International, 49(1)276- 288
- The rule, D. (2001). Risk transfer between banks, insurance companies and capital markets. *Financial Stability Review* 11(3)127-159
- Ruttan, V.W (1998). *Growth economics and development economics: what should development economists learn (if anything) from the new growth theory*. St. Paul, MN: University of Minnesota Economic Development Center Bulletin 98-4
- Schumpeter, J. A. (1911). *The theory of economic development*. Cambridge, Mass: Harvard University Press
- Shaw, E. (1973). *Financial deepening in economic development*. New York: Oxford University Press.
- Siyanbola M.A. (1997). *Marketing life assurance services*. Paper delivered at a lecture organized by life offices Committee (LOC) at Crusader Insurance House, Lagos, September, 2.
- Soladoye, Y (2012). Why insurers can't achieve N1 trillion premium target. *Dateline Insurance Journal*, 1(6)16-20
- Solow, R. M. (1956). A contribution to the theory of economic growth. *The Quarterly Journal of Economics*, 45(2)65-94.
- Solow, R. M. (1988). Growth theory and after. *American Economic Review*, 78(3)307-317

- Soludo, C (2004). *Consolidating the Nigerian banking industry to meet the challenges of the 21st century*. Being an address delivered to the Special Meeting of the Bankers' Committee, held on July 06, 2004 at the CBN Headquarter, Abuja.
- Srinivasan, T. N. (1991). *Development thought, strategy and policy: Then and Now*. Background paper prepared for World Development Report 1991 (mimeo). Washington, D.C.: World Bank, Oct
- Stulz, R. (2004). Should we fear derivatives?. *Journal of Economic Perspectives* 18, 173-192
- Szablicki, R. (2002). *Growth and the life insurance market*. Draft paper from the Department of Economics, Vienna University of Business Administration and Economics
- Taiwo, P.O & Akinlo, A.E (2011). Financial sector reforms and the performance of the Nigerian economy. *The Review of Finance and Banking*, 03(1)047—060
- Thomas O. S. (2012). Low-income earners need more insurance policies. *Dateline insurance Journal*, 1(7)23-35
- Tijani, M. & Babajide, D.A.(2015) Nexus between Economic growth and Insurance Business in Nigeria. *Research Journal of Finance and Accounting*. Vol. 6 (9).
- Uche, U.C & Chikeleze, B.E (2001). *Reinsurance in Nigeria: the issue of compulsory legal cession*. The Geneva Papers on Risk and Insurance, 26(3)490-504.
- Udegbunam, R. I. (2004). Asset portfolio composition, size, and bank stock risk evidence from Nigerian commercial banks. *African Review of Money, Finance and Banking*, 12(3)114-129.
- Udoh, E. (2009). Insurance: a critical assessment. *Daily Champion Newspapers*, 6(13)15-18.
- Ujunwa, A and N.J. Modebe (2011). Repositioning Insurance Industry for Operational Efficiency: The Nigerian Case. *Journal of Applied Finance & Banking*, 1(3)15-32.
- USAID (2006). *Assessment on how Strengthening the Insurance Industry in Developing Countries Contributes to Economic Growth*. U.S.A: USAID.
- Uzawa, H. (1965). Optimum Technical Change in an Aggregative Model of Economic Growth. *International Economic Review*, 6(2)18-31.
- Van den Berghe, L. A. A., (1999). *Convergence In The Financial Services Industry*, published in Insurance And Private Pensions Compendium For Emerging Economies. Book 1, Part 1:5a, Insurance and Private Pensions Unit, OECD, 2001, 173-285.
- Ward, D & Zurbruegg, R (2000). Does Insurance Promote Economic Growth? Evidence from OECD Countries. *Journal of Risk Insurance*, 67(4)489-506
- Webb, I, Grace, M. F. & Skipper, H.D (2002). The Effect of Banking and Insurance on the Growth of Capital and Output. *Center for Risk Management and Insurance*, Working Paper 02

- Wolde-Rufael, Y (2009). *Re-examining the Financial Development and Economic Growth Nexus in Kenya*. *Economic Modelling*, 26(6),1140-1146.
- Zhi, Z. (1998). Die Nachfrage nach Lebensversicherungen: Eine empirische Analyse für China. *Portfolio Management und Versicherungswirtschaft*, Universität Mannheim.
- Zou, H. & Adams, M.B (2004). The corporate purchase of property insurance: Chinese evidence. *Journal of Financial Intermediation*, 56(15)1174-1180
- Zouhaier, H. (2014) Insurance and Economic growth. *Journal of Economics and Sustainable Development*. Vol.5 (12).

APPENDIX A

SOFTWARE ANALYZED RESULTS

Hypothesis one

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/21/16 Time: 02:36

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	-			
LINP	15.92143	3.661380	-4.348479	0.0014
SAVNGS	56.26334	36.29120	1.550330	0.1521
	-			
GEXP	136.1324	109.9533	-1.238093	0.2440
PII	6.770032	2.031562	3.332427	0.0076
	-			
INVST	0.031785	0.349757	-0.090879	0.9294
C	299187.7	39963.38	7.486547	0.0000
R-squared	0.970950	Mean dependent var		508552.8
Adjusted R-squared	0.956426	S.D. dependent var		183216.1
S.E. of regression	38245.44	Akaike info criterion		24.22143
Sum squared resid	1.46E+10	Schwarz criterion		24.51115
	-			
Log-likelihood	187.7715	F-statistic		66.84769
Durbin-Watson stat	1.759693	Prob(F-statistic)		0.000000

Hypothesis

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/21/16 Time: 02:43

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLNP	5.851065	0.733974	7.971760	0.0000
-	-	-	-	-
SAVNGS	86.31312	26.43255	-3.265410	0.0085
-	-	-	-	-
GEXP	90.04048	69.72787	-1.291313	0.2256
PII	0.655320	0.895517	0.731779	0.4811
INVST	0.196268	0.189613	1.035100	0.3250
C	269565.6	26164.00	10.30292	0.0000

R-squared	0.988582	Mean dependent var	508552.8
Adjusted R-squared	0.982873	S.D. dependent var	183216.1
S.E. of regression	23977.83	Akaike info criterion	23.28764
Sum squared resid	5.75E+09	Schwarz criterion	23.57736
-	-	-	-
Log-likelihood	180.3011	F-statistic	173.1575
Durbin-Watson stat	2.469544	Prob(F-statistic)	0.000000

Hypothesis three

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/21/16 Time: 02:55

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	nt			
INSDNTY	779.8650	232.9996	3.347066	0.0074
	-			
SAVNGS	179.2248	74.17811	-2.416142	0.0363
GEXP	199.0413	175.3952	1.134817	0.2829
PII	2.555579	1.778333	1.437064	0.1812
INVST	0.416664	0.346390	1.202876	0.2567
C	203679.3	68924.69	2.955099	0.0144

R-squared	0.960392	Mean dependent var	508552.8
Adjusted R-squared	0.940588	S.D. dependent var	183216.1
S.E. of regression	44658.18	Akaike info criterion	24.53146
Sum squared resid	1.99E+10	Schwarz criterion	24.82118
	-		
Log-likelihood	190.2517	F-statistic	48.49479
Durbin-Watson stat	1.539798	Prob(F-statistic)	0.000001

Hypothesis four

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/21/16 Time: 02:57

Sample (adjusted): 1988 2014

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INEXP	1.053236	1.583518	0.665124	0.5210
	-			
SAVNGS	7.317179	77.92771	-0.093897	0.9270
	-			
GEXP	151.3278	198.6587	-0.761747	0.4638
PII	1.795007	3.084884	0.581872	0.5735
INVST	0.767767	0.558515	1.374659	0.1993
C	371011.3	65234.15	5.687379	0.0002

R-squared	0.919577	Mean dependent var	508552.8
Adjusted R-squared	0.879366	S.D. dependent var	183216.1
S.E. of regression	63635.32	Akaike info criterion	25.23972
Sum squared resid	4.05E+10	Schwarz criterion	25.52944
	-		
Log-likelihood	195.9178	F-statistic	22.86865
Durbin-Watson stat	0.556648	Prob(F-statistic)	0.000036

APPENDIX B

YEAR	GDPGR	LINP	NLINP	INDNTY	SAV	GEXP	INV	PII
1988	7.58	0.0	486.6	4.72	23.25	357.5	4,897.20	149.2
1989	7.15	0.0	673.1	5.64	23.80	577.4	4,974.30	124.4
1990	11.36	0.0	1,013.7	7.79	29.65	695.1	5,178.30	349.6
1991	0.01	0.0	1,296.2	11.63	37.74	957.8	7,635.80	376.4
1992	2.63	0.0	2,445.7	14.83	55.12	1,771.5	8,239.9	35.4
1993	1.56	0.0	4,931.9	27.80	85.03	5,975.7	9,973.4	-74.4
1994	0.78	0.0	14,519.1	55.81	110.97	8,798.9	10,998.4	10,872.8
1995	2.15	0.0	13,525.1	163.58	108.49	5365.1	11,921.8	9222.5
1996	4.13	0.0	11,091.3	112.63	134.50	5916.1	12,379.5	7234.5
1997	2.89	0.0	10,941.6	92.64	177.67	6499.4	13,613.1	10019.6
1998	2.82	0.0	11,688.3	92.07	200.07	7,174.3	15,656.9	10672.1
1999	1.19	0.0	14,597.3	99.33	277.67	5,923.2	21,583.5	4956.4
2000	4.89	0.0	22,531.5	124.42	385.19	5629.5	25,192.6	8418
2001	4.72	0.0	28,981.3	191.16	488.05	6,110.5	32,157.3	12330.2
2002	4.63	0.0	37,765.9	212.56	592.09	6,856.1	36,940.9	14087.9
2003	9.57	0.0	43,441.8	276.67	655.74	9,415.2	54,642.8	27392.5
2004	6.58	0.0	50,100.8	317.88	797.52	12084.0	74,590.8	29347.2
2005	6.51	0.0	67,465.6	372.56	1,316.96	12,402.4	121,844.2	37946.3
2006	6.03	0.0	81583.8	521.72	1,739.64	76276.1	216,359.9	39084.2
2007	6.45	16,274.4	89,104.9	582.35	2,693.55	25,133.2	329,247.9	80246.1
2008	5.98	30,735.7	126,470.3	699.40	4,118.17	37,412.6	336,491.4	119793.4
2009	6.96	36,833.3	153,127.1	1043.38	5,763.51	61,969.2	343,894.2	127991.3
2010	7.98	43,039.2	157,336.8	1260.77	5,954.26	53,815.4	351,459.9	146560.6
2011	7.43	57,996.1	175,756.8	1329.90	6,531.91	60,204.8	359,192.0	173548.1
2012	6.58	60348.3	185677.4	1551.42	8,062.90	874.8000	365832.6	188939.4
2013	6.88	67389.8	188723.1	1657.6	8,656.12	1108.50	476328.7	198827.3
2014	6.24	71982.3	192783.9	1872.5	12,008.21	1206.4	563725.8	208387.2

SOURCE: CBN STATISTICAL BULLETIN(VARIOUS YEAR)
NATIONAL BUREAU OF STATISTICS (VARIOUS YEARS)