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MEASURING THE DYNAMICS OF BUSINESS ENVIROMENT TO THE PERFORMANCE OF INSURANCE BUSIESS IN AFRICA, EVIDENCE FROM NIGERIA, 1981-2016

EZEMA, Clifford Anene (Ph.D)
Department of Insurance and Risk Management, Faculty of Management Sciences, Enugu State University of Science and Technology,(ESUT),
Ezemaclifford10@gmail.com

IBEHABUCHI, Helen I.
Department of Insurance, School of Financial Studies
Institute of Management and Technology (IMT) Enugu

Abstract
The objective of the study is to measure the dynamics of business environment on the financial performance of insurance industry in Nigeria using ordinary least square type of regression. Result reveals that both real and effective exchange rate and credit to the private sector have a positive response to the financial performance of insurance industry in Nigeria while inflation, interst rate and broad money supply has a negative dynamics to the financial performance of insurance industry in Nigeria.The researcher concluded that macro-economic business environment strongly influences every business entity and should be properly handled so as to increase insurance contribution to Gross Domestic Product of the country.
Keywords: Business Environment, Insurance Companies, Exchange rates, Inflation.

I. Introduction
Historically, Banjo (1995) recorded the advent of the modern insurance in Nigeria using colonial penetration of insurance through British Merchants who established trading post on the West coast of Africa. This is how insurance started in Nigeria from 1880. Ujadu (1985) expressed that during the 19th century, British Merchants arranged insurance for their trading concerns on the London Insurance Market as early as 1900. The Royal Exchange Assurance and Tobacco insurance company limited as at 1910 appointed two insurance agents who underwrites business in Nigeria and process it in London. In 1921, Royal Exchange Assurance decided to appoint a resident insurance officer in Lagos. These companies according to Jegede (2005) become the First recognized insurance company from 1921 to 1949 when three other insurance companies were established. This new companies were legal and general assurance society limited and the Norwich Union and Fire Insurance Society which merged with an unregistered indigenous insurance company called Guinea Insurance Company Limited. Falegun (1991) recorded that it was in 1958 that the first insurance company in Nigeria otherwise known to be the first indigenous insurance company was established called the African insurance company Limited and that is why our insurance system was patterned opined that during the 1960 political independence of Nigeria, the outcome of British domination in insurance sector created in proliferations many insurance companies. Companies like the Great Nigeria Insurance company, the Nigeria General Insurance Company Limited UNIC emerged.
Irukwu (1991) posits that immediately after 1960 political independence, by 1961, the member of insurance companies increased from 4 to 23 and to further 66. This led to the vision of controlling insurance activities in Nigeria. This resulted to the creation of marine

insurance Act of 1961. This Act led the foundation of insurance regulation where the insurance companies existing in Nigeria were asked to recapitalize to the sum of £50,000 for the first time in the Nigeria insurance industry. Adeyemi (2005) records that amendment of insurance Act of 1961 led to the increase of insurance capital base to £50,000 in 1964 which is referred to as 1964 Marine Insurance Act. This act helps to regulate the already flogged insurance market with mush room insurance activities besides, the 1964 insurance Act laid foundation for legal statutory deposit to be kept with the central Bank of Nigeria.

Nwite (2004) further expressed that the Marine Insurance Act of 1964 harnessed the dwindling image of insurance in Nigeria by regulating the activities of other insurance intermediaries. It was not until 1976 that a new insurance decree was enacted to further improve insurance image. Hence, the new capital base was moved to N5milliom. This arrested the level of flagrant abuse of insurance by the practitioners because many of the players left the industry. In 1991 a new insurance act was re-enacted to fine-turn the on-going reform in the insurance industry where three categories of capital base were instituted. Madukwe and Nweke (2014) recorded that the new capital base for life assurance was raised to ₦20m, Nonlife; ₦70m, composite; N70m reinsurance; ₦150m. this exercise recorded the highest number of insurance liquidation in the Nigerian insurance industry where 75 out of 110 insurance companies failed. This laid the foundation of a solid insurance assets base in Nigeria. It equally insisted that brokerage firms should capitalize to the sum of ₦5000, 000 which must include a professional indemnity cover of ₦1m. Hence NAICOM was given more legal power to regulate insurance business with the spate of insurance activities in Nigeria. Within the period, oil and gas insurance, Marine and Aviation Insurance and Engineering all risk introduced on the basis of risk transfer. This laid a foundation of local content initiative in insurance sector in Nigeria.

Based on the level of global development and international financial market growth, in 2003, a new insurance act was passed into law by the government of Chief OlusegunObasanjo that increased geometrically the capital base of insurance companies that still failed to meet global trends. Hence life assurance capital base was ₦150m, non-life; ₦20m, composite; ₦350m and Re-insurance; ₦350m, (Nwamba, 2010). This resulted in 107 out of 117 insurance companies in Nigeria surviving the new wave of new capital base. This equally made insurance companies to be active participant in Africa and other continent.

Aneke (2012) noted that between 2003 and 2005, there were reorganization in the financial industry where banks were ask to capitalize to the sum of N25 billion. Also, the insurance industry was compelled to increase their capital base for life; N2 million, Non-life N3billion while Re-insurance N10billion. It was here that the remaining 107 insurance companies were reduced to 40 players of 23 life offices and 26 non-life officers. With one citified re-insurance company called Nigerian Re. however, after the last recapitalization exercise that recorded the highest rate of increase in Nigeria, Aneke (2012) recorded that insurance industry has been totally reform drive. Despite the global economic meltdown of 2008 NIA (2014) recorded that the gross premium income of insurance companies by average rose from 18% to 36.5%. currently, with the introduction of local content initiative in the insurance sector in 2012, there is a fire cast that in order for insurance industry in Nigeria to continue to grow, they must improve their capital base on their risk portfolio.

Over the years, insurance industry in Nigeria has not been doing well as reflected in the numbers of insurance reforms. Okeke (2010) attributed these failures to the problems created by indigenization policy of 1977. Madukwe and Nwake (2014) opined that insurance failure to meet global and emerging trends was driven by low image of insurance companies, Osakwe (2015) expressed that the slow pace of insurance in Nigeria was grossly caused by delay in claims settlement, issues relating to rate cutting, round tripping, window dressing and other unethical practices in the insurance system. Chilekeze (2010) posits that insurance

industry in Nigeria has been confronted with a disease that refuses to die called inadequate awareness of people about insurance. All these identified issues have contributed to the low financial performance of insurance companies in Nigeria. Beside, environmental factors such as foreign exchange rate, broad money supply and inflation on investment portfolios are other exogenous variables affecting the financial performance of insurance industry in Nigeria. In view of this, the implicit cost of enforcement of exchange rate laws made by the government, they indirectly tolerate the parallel market activities (Onyewu, 2010). When government failed to deal with excess demand of foreign currency created by official exchange market rate, it results to scarcity and its consequences results to parallel market otherwise called unofficial/back market for foreign exchange (Sanusi, 2012).One of the most notable problems in insurance is the macro- economic environment which the business of insurance operates. Business environment influence poses the highest threat in the macro economic performance of insurance industry which expectedly will engenders economic growth and development. There is a general consensus among economist that financial development spurs economic growth. Theoretically, financial development creates enabling conditions for growth either insurance intermediation or assets securitization. A large body of empirical research supports the view that development in the financial system contributes to the economic growth of Nigeria. Empirical Evidence consistently emphasizes the nexus between finance and growth through the issue of direct causality. At cross country level, Evidence indicated that various measure of financial development including financial intermediation, liquid liability, securitization, domestic investment in stock exchange securities bonds and surtiships are grossly being affected by the insurance business environment.

The reform in the financial system in Nigeria which high lightened the 1986 deregulation exercise affects the level of business environment, contribution of insurance to the economic growth. Beside, rapid globalization of insurance financial products since the deregulation increased integration of insurance business to the global system but has been hindered by the local business environment. Growths in insurance sector translate to growth in the economy. Growth in the economy is the growth of the life and standard of living of people in the country. The question arise, how has the business environment such as exchange rate, inflection, interest rate broad money supply and credit to the private sector affected the performance of insurance business in Nigeria. The reason for this question is that over the years, it has been on record that insurance industry has not be contributing significantly to the growth and development of Nigeria.

Based on this, the broad objective of this study is to measure the dynamics of business environment on the Financial performance of insurance industry in Nigeria. The following are the specific objectives. To measure the impact of real and effective exchange rate on insurance performance in Nigeria. To determine the effect of broad money supply on insurance performance in Nigeria. To ascertain the impact of inflection on insurance performance in Nigeria. To investigate the effect of interest rate in the insurance performance in Nigeria. To measure the contribution of credit to the private sector on insurance performance in Nigeria.

II. Review of Related Literature

Odusola and Akinlo (2001) examined the linkage between exchange rate, inflation and output in Nigeria using a structural VAR model. The result shows parallel premium and output has a negative impact and hence dictate the rate of inflation. They concluded that since parallel premium causes inflation government should endeavor to tame the behavior of exchange rate by formulating monetary policies that enhances income and growth.

Udoh and Egwaikhaide (2008) studied the effect of exchange rate volatility and inflation uncertainty on foreign direct investment in Nigeria using GARCH model. The result reveal

that exchange volatility and inflation uncertainty execratory a significant negative influence on FDI. They concluded that before foreign direct investment could yield any type of impact the rate of inflation and its associated exchange rate behavior must be significantly controlled by the monetary authorities.

Usman (2008) investigated the impact of exchange rate fluctuation on a developing country GDP using Nigeria the developed a regression model where GDP was endogenized while exchange rate stability and trade openness was exogenesis. Result reveals that exchange rate and trade openness are essential for economic growth and development. The concluded that instability in exchange rate and trade restriction can be capable of causing negative impact on a country's GDP

Agbamuche (2012) employed Chi-square model in his study on Investment of insurance funds in the Nigerian Capital market, and find out that; (i) the insurance industry invest substantial parts of its funds in the capital market. This implies that the surplus funds of the insurance companies after claims to policyholders have been paid out is then invested in the capital market in the form of government securities, corporate funds, real estate, mortgages etc. (ii) that the investments of insurance funds contributes to the socio economic growth of the country. This implies that as insurance contributions increase, economic growth would also increase hand in hand, (iii) that the insurance industry contributes positively to the growth of the capital market. This implies that the insurance industry is also a center of capital formation, mobilization and allocation of resources within the economy because it deals with long term securities and it enables the funding of other deficit sectors of the economy. This finding shows that the major source of funds available to the insurance industry is through premium incomes; however other incomes come in the form of issuance of shares and other investment returns, (iv) that the insurance industry is a relevant sector of the economy. This would suggest that a direct or positive relationship exists between the insurance industry, insurance contribution and economic growth in the country. Ultimately a relevant and formidable insurance sector would help greatly in boosting overall economic growth in Nigeria.

Boon (2005) also observed in his study that total insurance funds affect both capital formation and gross domestic product growth in the short and long term. The importance of Boon's finding have to do with the fact that insurance and its core activities has a lot to do with investment in Japan which in turn has a direct correlation with increased economic growth and productivity.

Mojekwu, Agwuegbu and Olowokudjo (2011) established and found that total insurance funds affect both capital formation and GDP growth in the short and long term. Their study employed dynamic factor model in their study and find out that there is a functional positive relationship between insurance contributions and economic growth in Nigeria.

Ngong (1997) developed an aggregate index of capital market development and use it to determine its relationship with long run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. For measures of capital market development the ratio of market capitalization to GDP (in percentage), the ratio of total value of transactions on the main stock exchange to GDP (in percentage), and the value of equities transaction relative to GDP and listings used. The four measures were combined into one overall composite index of capital market using principal component analysis. A measure of financial market depth (which is the ratio of broad money to stock of money to GDP) was also included as control. The result of the study was that capital market development is negatively and significantly correlated with long run growth in Nigeria. The result also showed that there exists bi-directional causality between capital market and economic growth.

Ewan, Esang and Bassey (2009) appraise the impact of the capital market efficiency on the insurance growth of Nigeria using time series data from 1961 to 2004.They found that the

capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others.

Haiss and Sümegi (2008) applied a cross country panel data analysis from 29 European countries in the period from 1992 to 2005. The insurance variable is measured by premium income and total net investment of insurance companies. Premium income is split into life and non-life premium income. As estimation method, the authors use ordinary least squares (OLS) or unbalanced panel with country and time-fixed effects. According to the findings, there is a positive impact of life insurance on GDP growth in the EU-15 countries; Switzerland, Norway and Iceland, while non-life insurance has a larger impact in Central and Eastern Europe.

Wadlamannati (2008) examined the effects of insurance growth and reforms along with other relevant control variables on economic development in India in the period from 1980 to 2006. Growth of insurance penetration (life, non-life and total) is used as proxies of insurance sector growth. The author applied ordinary least square (OLS), co-integration analysis and error correction models (ECM). The study confirms positive contribution on insurance sector to economic development and a long-run equilibrium relationship between the variables. While the reforms in the insurance sector do not affect economic activity, their growth has positive impact on economic development.

Marijuana, Sandra and lime (2009) empirically examined the relationship between insurance sector development and economic growth in 10 transition European Union member countries in the period from 1992 to 2007.insurance variables were used; life, non-life and total insurance and other control variables like education, openness, inflation, investment, bank credit, stock capitalization. According to their findings, insurance sector development positively and significantly affects economic growth.

Eze and Okoye (2013) examined the impact of insurance practice on the growth of Nigerian economy. Insurance premium income, total insurance investment and income of insurance development was used as determinants of insurance practice. They employed unit root tests, Johansen co-integration test and error correction model in data analysis to determine the short and long run effect of the model. The study observed that the insurance premium capital has significantly impacted on economic growth in Nigeria; that the level of total insurance investment has significantly effected on economic growth in Nigeria; and that there is causal relationship between insurance sector development and economic growth in Nigeria. Their findings implied that insurance industry would contribute meaningful to the growth of Nigeria economy in the long run. The study concluded that there is a significant positive effect of insurance practice on the growth of Nigerian economy. They recommended that, having seen that there is long-run relationship between insurance industry practice and economic growth in Nigeria. They further advised that more efforts should be made to increase transparency and efficiency in insurance industry through adequate legislation and policy formulation targeted at providing institutional improvement, especially in risk management and product innovations in Nigeria insurance industry.

Obi Obada and Abu (2010) estimated the link between insurance and other key macroeconomic varieties in Nigeria using regression model. They observed that the interest rate is statistically and economically significant in explaining exchange rate. They argue that interest rate has a link with exchange rate and suggested that policy should be crated to ensure that exchange rate stability should also try capture interest rate.

Adelowokan (2012) studied the determinant of interest rate in Nigeria for the period of 1970 – 2010. He used a paned survey in the study. The study reveals that variability in exchange rate causes a disagreement in macro economic contribution to the growth and

development of Nigeria. He concluded that monetary authorities in Nigeria should try to reserve the economy by ensuring stability of the exchange rate in the economy.

Deda and oyeranti (2012) studied the link between broad money supply and insurance sector development in Nigeria using cointegration model .Result shows that M2 variability causes a positive reaction to insurance variable and also cointegrates at both in the short run and long run equilibrium. Th0ey conclude that transparent policies that will pave way for stability of exchange rate is better option for economic acculturation in Nigeria

Eme, Akpan. Jostuaatan (2014) Effect of CPS movements on economic growth of Nigeria usinggeneralized method of moment technique. The estimation result suggested that there is no evidence of strong direct relationship between changes in CPS and output growth. Rather, Nigerian economy has been affected by exchange rate behavior. They concluded that improvement in the management of exchange rate with broad reform in exchange rate management will enhance improvement of exchange rate so as to contribute to the economic growth.

Imoisiuzomba and olatinji (2010) carries out an analysis of interest and exchange rate effect on the Nigeria economy 1975 – 2008 using ordinary least square and integration analysis which establishes the existence of a long run relationship between the variables of interest. Result increase in interest rate returned investment and subsequently economic growth. Hence interest rate and exchange rate variability create negative impact on the Nigeria economy. They conclude that interest rate and exchange rate should be property managed so as to stem interest growth through investment.

Jimoh (2006) examines the effect of trade liberalization on real insurance business in Nigeria. Evidence from Nigeria from 1060 – 2010 using Johanson cointegration model. The result reveal that trade liberalization cointegrate with insurance business in Nigeria since 1986 because 13% depreciation in Nigeria real exchange rate made real exchange rate to be more responsive to change in terms of trade. He concluded that less decisive change in trade regime produces no significant change in the real exchange rate.

Shobande and odeleye (2015) examine the long run effect of insurance policy on economy using Nigeria as a case study from 1970 – 2012. He usedordinary least square regression techniques to draw inferencesinsurance business is dynamic to economic growth. The findings reported that real output is negative by influenced by exchange rate and grass capital formation and positive duplicated by broad money supply and focal diesoline. He concluded that appropriate policy that will exchange Stabilization of exchange rate will boast national output and as well encourages investment.

Ayodele and Obafemi(2015) examined the fiscal and Quise fiscal effect of the parallel premium in Nigeria using error correction model. Result reveals that the politics of exchange rate behavior causes a shock due to overvalued exchange rate resulting the departure of exchange rate parallel premium to the equilibrium. They concluded that unification of real and effective exchange rate with block market exchange rate will prevent necessitation depression and instability in the economic system.

Patimi (2014) examines the impact of exchange rate variation and Insurance business in Nigeria from 1988 – 2010 using ordinary least square technique result Insurance business in Nigeria impacted significantly on GDP balance of payment position and inflation in Nigeria based in the finding, the researcher concluded that diversification of productive base and employing realistic exchange rate will promote expert and discourage import. Hence, monetary authorities should keep their hands on the deck to stabilize exchange rate and improve GDP.

Ismaila (2016) examine Insurance business in Nigeria depreciate and its impact on Nigerian economic growth during the sap and post SAP period (1986 – 2012) using Johansson cointegration test and error correction model. Result shows that Insurance business

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in Nigeria have a significant impact on output performance in the long run while exchange rate has direct and non-significant on Nigerian economy in both short and long run. This implies that exchange rate depreciation during SAP his no robust effect on GDP and advised that policy makers shows not only rely on exchange rate depreciation but use policy instrument to induce economic growth but should use it to compliment other macro-economic variables such as monetary and fiscal policies.

Akinlo and Lawal (2012) examine the impact of Insurance business in Nigeria on industrial production in Nigeria from 1988 – 2010 using vector error correction model (VECM) finding confirm a long run relationship between industrial production index and Insurance business in Nigeria meaning that Insurance business in Nigeria depreciation had no perceptible impact on industrial production in the short run but had a positive impact in the long run.

AzeezKolapo and Ajayi (2012) examined the effect of Insurance business onmacro-economic performance of Nigeria from 1986 – 2010. Using ordinary least square. The model used real GDP as dependent variable while Insurance business, exchange rate BOP and oil revenue was used as independent variable Result reveals that oil revenue and BOP exert a negative effect while exchange rate variability and Insurance business in Nigeria contributes positives to GDP in long run. They recommended that monetary authorities should pursue policies that would curb inflation and ensure stability of exchange rate.

III. METHODOLOGY

The researcher used exposit facto research design. This is the type of design involving events that have already taken place. Onwumere (2009) states that data already existing are used since there will be no attempt to control or manipulate the variables. The variables are noted with exposit facto. Hence, a set of regression will be applied on the three hypotheses with the aim of measuring the shocks and dynamics of business environment on the performance of insurance business in Nigeria.

Nature and Data Sources

The data is econometric data and are time series data. They are quantitative in nature. The source of data is only through secondary data derived from CBN statistical bulletin 2015.

Model for the Study

However, the researcher adopted and modified the above model,

Thus:

$FPIC_t = B_o+B_1M2_t+B_2REER_t+B_3CPS_t+B_4INTR_t+B_5Inf_t++et$

Where FPIC =Financial performance of insurance industry

REER = Real effective exchange rate

INF = Inflation rate

INTR = interest rate

e = Error terms/Disturbance term

B_1,B_2,B_3,B_4,B_5, = Coefficient of eth parameter estimates.

Bo = Intercepts of the coefficient.

IV DATA PRESENTATION

TABLE 4.1

YEAR	FPIC	REER	M2	INFR	INTR	CPS
1981	66	0.61	14.47	21.4	6	8.57
1982	70	0.67	15.79	7.2	8	10.67
1983	15.3	0.72	17.69	23.2	8	11.67

1984	49.5	0.76	20.11	40.7	10	12.46
1985	8.4	0.89	22.3	6.3	10	13.07
1986	41.5	2.02	23.8	11.8	10	15.25
1987	149.3	4.02	27.57	34.2	12.75	21.08
1988	149.2	4.54	38.36	49.1	12.75	27.33
1989	124.4	7.4	45.9	7.8	18.5	30.4
1990	349.8	8.04	52.86	12.2	18.5	33.35
1991	376.4	9.91	75.4	44.6	15.5	41.35
1992	35.4	17.3	111.11	57.1	17.5	58.12
1993	-7.38	22.05	165.34	29.3	26	127.12
1994	10872.8	21.89	230.29	10.7	13.5	143.42
1995	9222.5	21.89	289.09	7.9	13.5	180
1996	7234.5	21.89	345.85	18.9	13.5	238.6
1997	10019.6	21.89	413.28	12.9	13.5	316.21
1998	10672.2	21.89	488.15	14	13.5	351.96
1999	4956.4	92.69	628.95	15	18	431.17
2000	8418	102.11	878.46	17.9	14	530.37
2001	12330.2	111.94	1269.32	8.2	20.5	764.96
2002	14087.9	120.97	1505.96	5.4	16.5	930.49
2002	27392.5	129.36	1952.92	11.6	15	1096.54
2004	29347.2	133.5	2131.82	12.5	15	1421.66
2005	37946	132.15	2637.91	13.7	13	1838.39
2006	39084.2	128.65	3797.91	10.8	16.5	2290.62
2007	80246.1	125.83	5127.4	12.2	15	3680.09
2008	119793.4	118.56	8008.2	13.1	15	6941.38
2009	127991.3	148.88	9411.11	10.67	13	9147.42
2010	146560.6	150.3	11034.94	10.67	12.45	10157.2
2011	173548.1	153.8	12172.49	8	13.65	10660.07
2012	173548.1	111.39	12172.49	9	12	14649.28
2013	173548.1	118.82	12172.49	12.3	12	15751.84
2014	173548.1	127.1	12172.49	12.8	12	17128.98
2015	173548.1	126.07	12172.49	13.1	13	17149.6
2016	173548.1	130.02	12172.49	16	12	18210.12

SOURCE: CBN STATISTICAL BULLETIN (2016)

From the data above, FPIC represent the financial performance of insurance industry in Nigeria. A look at the data of FPIC suggests that insurance companies' performance had a financial disturbance in 1993 where negative figure was recorded. The researchers want to know the influence of business environment on the performance of insurance industry in Nigeria.

Table 4.2. Table showing stationary properties of the data set using Philip and Peron.

Variables	ADFSTAT	CR(a)5%	P.V	Specificat	Remark
LNFPIC	-5.2695	-3.5485	0.0007	i(1)	Stationary
LNREER	-6.9322	-3.5485	0.0000	i(1)	Stationary
LN M_2	-18.5240	-3.5688	0.0000	i(1)	Stationary

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LN CPS	-9.9984	-3.5485	0.0000	i(1)	Stationary
LNINTR	-9.7440	-3.5486	0.0000	I(1)	stationary
LNINFR	-9.7972	-3.5486	0.0000	I(1)	Stationary

Source: Own computation (2017) E-view 9.0

From table 4.4, the state used Philip and Peron to probe augmented dickey fuller result. Hence, it supported the test carried out by augmented dickey and fuller whore the Philip and Peron Statistics shows that there are more negative and statistically significant the value at 5% critical value. Hence, the variables are stationary supporting the previous test.

TABLE 4.3: TABLE SHOWING DESCRIPTIVE STATISTICS

	LNCPS	LNFPIC	LNINFR	LNINTR	LNM2	LNREER
Mean	6.014491	8.215840	2.661603	2.594953	6.309000	3.239310
Median	5.965010	9.170850	2.537587	2.602690	6.317337	3.811287
Maximum	9.809733	12.06421	4.044804	3.258097	9.406934	5.035653
Minimum	2.148268	1.960095	1.686399	1.791759	2.672078	-0.494296
Std. Dev.	2.609171	3.403370	0.582111	0.274864	2.415552	1.897386
Skewness	0.038978	-0.445711	0.810615	-0.509711	-0.094383	-0.788014
Kurtosis	1.639004	1.739750	3.041993	4.352962	1.572244	2.258994
Jarque-Bera	2.787582	3.574293	3.945221	4.304591	3.111180	4.549435
Probability	0.248133	0.167437	0.139093	0.116217	0.211065	0.102826
Sum	216.5217	295.7702	95.81772	93.41830	227.1240	116.6152
Sum Sq. Dev.	238.2720	405.4025	11.85985	2.644264	204.2212	126.0026
Observations	36	36	36	36	36	36

Source: Own computation (2017) E-view 9.0

From the above table, it shows the descriptive statistics of the data; the mean and median of the above data show the aggregative tendency of the data as well as the spread. The maximum and minimum shows the dispersion surrounding the mean in the data set. The standard deviation and variance of the data shows how the data departs from the normal series. Normality test is captured by the skewness and Kurtosis. LNFPIC and LNREER Skewed to the left while all the variables are leptokurtic meaning that there are not complexity peaked. The data are normally distributed because it was normally to 3.0. Hence, the observation is 36 which are good in giving economic result.

TABLE 4.4.TABLE SHOWING REGRESSION
Dependent Variable: LNFPIC
Method: Least Squares
Date: 06/24/18 Time: 14:48
Sample: 1981 2016
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.65853	3.998632	3.415801	0.0018
LNREER	1.440217	0.527456	2.730498	0.0105
LNINFR	-0.512096	0.333192	-1.536940	0.1348

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LNINTR	-4.130588	1.170482	-3.528965	0.0014
LNM2	-0.029113	1.417629	-0.020537	0.9838
LNCPS	0.358693	1.087585	0.329807	0.7438

R-squared	0.922149	Mean dependent var	8.215840
Adjusted R-squared	0.909174	S.D. dependent var	3.403370
S.E. of regression	1.025686	Akaike info criterion	3.039611
Sum squared resid	31.56093	Schwarz criterion	3.303531
Log likelihood	-48.71301	Hannan-Quinn criter.	3.131727
F-statistic	71.07045	Durbin-Watson stat	1.643953
Prob(F-statistic)	0.000000		

Source: Own computation (2017) E-view 9.0

From the data above, this analysis was done using financial performance of insurance companies as the dependent variable and using ordinary least square as the methodology. The analysis was carried out on 08/16/2017 using a sample of 1981-2016. That companies of 36 observations. The result predicted that reel effective exchange rate has a positive and significant impact to the financial performance of insurance in the performance of insurance company is caused by 144% increase REER. Therefore REER impact positively to the performance of insurance companies in Nigeria. M2,INFR,INTR has a positive 51%,413% and 2.9% reduction to financial performance of the insurance companies but the increase is statistically non-significant, significant and non-significant as reflected in the probability value of 0.135, 0.0014,and .98 respectively. Hence, any percentage increase in financial performance of insurance companies is caused by increase inn 40% the broad money supply. Hence, broad money supply contributes significantly to the increase in the financial performance of insurance companies in Nigeria.

Credit to the private sector has a negative impact of 35% increase in the financial performance of insurance company and statistically non-significant. Therefore, increase in the financial performance of insurance companies is reduced by the credit to the private sector by 35%.

From the regression analysis, the R_2 is 0.92 showing that the explained variation in the variable is high while the unexplained variable is very low. Also the adjusted R_2 shows that the model private all owners if other variables are to be added. The probability of the F statistics is statistically significant because it is less than 5% critically value by the only problem is that the regression test is auto correlated because the Dublin Watson statistics is less than 2, when there is auto correlation, there is specification base and the result will be unreliable.

Conclusions

This work studied business environment impact on insurance performance in Nigeria. Insurance as a financial system is getting practically popular with economic development experts. The theoretical and empirical issues concerning insurance and business macro-economic factor helps to increase financial industry and also the financial system. Undoubtedly, Business environment in Nigeria strongly affect the countries financial development and play a significant role in the development of the financial system and economic growth. Business environment help to provide growth in the financial outlet, development in money and capital market and increase in the level of insurance indemnification of policy holders at the event of loss.The knowledge of the review summary in the study attempt to fill the gap of the study by studying the influence of the business

environment on the financial performance of insurance. The real effective exchange rate and credit to the private sector has a positive response to the financial performance of insurance while brood money supply, inflation rate, interst rate has a negative response on the financial performance of insurance industry in Nigeria. Hence, these variables are the environmental factors which insurance managers should strategically be conscious of whenever they are planning and forecasting future insurance business in Nigeria.

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