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**CHALLENGES OF SUSTAINABLE ECONOMIC GROWTH IN NIGERIA:
*INSURANCE SECTOR'S INVESTMENT TO THE RESCUE***

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Abstract

This study empirically and comparatively analyses the insurance companies' investment portfolios and their contributions to economic growth in Nigeria. The study covers the period from 1980 to 2025. It employs Unit root, Co-integration and Error Correction Model techniques in analyzing the secondary data sourced from Central Bank of Nigeria Statistical Bulletin. The results indicate that the time series data are stationary and prevalence of a significant long run relationship between various proxies of insurance companies. Investment portfolio and economic growth proxied by gross domestic product. Specifically, the results provide evidence that Insurance sector's investment in Stocks and Bonds (STB), Real Estate and Mortgage (REM) as well as Cash and Bank Deposit (CBD) are all significant in explaining variations in gross domestic product (GDP), the dependent variable. On the other hand, however, insurance sector's

investment in Government Securities (GSE), shows insignificant relationship with the dependent variable, gross domestic product. This implies that investment portfolios of insurance companies have varied contribution to economic growth in Nigeria within the period under study. Consequently, the study recommends among

others that insurance companies in Nigeria should increase their investments on government securities, real estate and mortgage, policy and other loans, as well as cash at hand and deposits for more feasible contribution to the economic growth in Nigeria.

Introduction

Nigeria's economic growth is stunted by high inflation, currency devaluation, and over-reliance on oil. The insurance sector plays a critical role in mitigating these risks. It mobilizes domestic savings, provides long-term capital for infrastructure, and protects businesses, yet its overall contribution remains low due to poor penetration, cultural barriers, and distrust (Okeke, 2024; Obamuyi & Fapetu, 2016). Insurance companies are specialized financial institutions that provide financial service ranging from the underwriting of risks inherent in economic and the mobilization of funds from the surplus economic unit to the deficits unit to those that need funds through premiums for long term investments. These unique financial services of Insurance companies promote growth and development of every economy. Sackey, Akotey, Amoah and Manso (2011) agrees that risk absorption role of Insurance companies promotes financial stability in the financial markets and provides a “sense of peace” to economic entities. Insurance industry as one of the agents of financial intermediation is meant to contribute to economy and financial stability on account of both their ability to reallocation of risks and long-term investment horizons. In the analysis and valuation of Insurance companies, the need for investing accumulated funds (GPI) is very key and can never be overemphasized. Insurance firms should manage, therefore, their investment to boost performance. Insurance firms, as large and long-term investors, invest in lands and buildings, local stocks, international equity, units in unit trusts, cash equivalents (deposits with credit institutions and ceding enterprises, bonds (debt securities) and investment in associates and subsidiaries and participating interests in investment pools, other variable-yielding securities, to pursue diversification of portfolio.

Further, Insurance is one of the cornerstones of modern-day financial services sector. In addition to its traditional role of managing risk, insurance market activity, both as intermediary and as provider of risk transfer and indemnification, may promote 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 policy holders to investment opportunities, thereby mobilizing domestic savings into productive investment (Omoke, 2012). According to Ali (2020) 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.

During the last decades, there have been faster growth in insurance market activity in both developing and transition economies given the process of financial liberalization and financial integration (Oteh, Nduka & Oteh, 2016), which raises questions about its impact on economic growth. As noted by Wachtel (2001), Favara (2003) and Levine (2005), research efforts so far have not examined the impact of other financial markets or instruments on economic growth in similar depth. Compared to the vast literature focusing on bank, stock and bond markets and their respective environment, the insurance sector has hardly been investigated in its role vis-à-vis economic growth. The last two decades have seen accelerated growth of insurance markets. Total world written real premiums increased by 82 percent between 1997 and 2004 (104 percent in the life insurance business and 60 percent in the non-life insurance one), from US\$ 1.6 trillion to US\$ 2.9 trillion (Arena, 2008). Emerging Markets (EMs) have recently experienced significantly faster real growth of their insurance sectors than industrialized countries (52 percent versus 27 percent between 1997 and 2004), reflecting liberalization and

financial integration after the implementation of structural reforms. Insurance market activity, both as financial intermediary and as provider of risk transfer and indemnification, may promote economic growth by allowing different risks to be managed more efficiently encouraging the accumulation of new capital, and by mobilizing domestic savings into productive investments (Arena, 2008). The evidence mentioned above raises questions regarding the impact that the faster growth of insurance activity would have on economic growth. So far, most of the empirical work has assessed the impact of the banking sector and stock market development on economic growth (Levine, 2005). However, even though the potential contribution of the insurance market activity on economic growth has been recognized, the assessment of a potential causal relationship between insurance market activity in terms of the sectors investment portfolio management and economic growth has not been as extensively studied as that of banks (Arena, 2006; Haiss & Sümegi, 2008; Lee, et al., 2013; Oteh, Nduka & Oteh, 2016;). This reflects both data availability and the rather arcane reputation of the sector in economic circles especially in developing economies as Nigeria's.

In this context, the purpose of the present paper is to provide a systematic assessment of the nature of relationship as well as causal effect of insurance market activity (in terms of the sector's investment portfolio management) on economic growth, taking into account the different investment channels (government securities, stocks and bonds, real estate and mortgage as well as cash and bank deposits).

Literature Review

Conceptual Framework

Insurance Investment

Investments by the Nigerian insurance business affect the country's insurance market. Businesses earn insurance premiums, which boosts GDP. Umoren and Joseph (2016) found that the insurance business had a slight positive

influence on GDP, supporting this anecdote. We must emphasize the need for big improvements in this area. Investors in insurance funds gain from ensuring insurance firms can satisfy their long-term responsibilities, such as claims payments. Insurance investment portfolios include government and corporate securities, stocks and bonds, mortgages on real estate, policy loans, cash holdings and deposits, and bills of exchange. Fadun and Shoyemi (2018) used factor analysis to predict Nigeria's economic development from insurance investment. They found that Nigeria's insurance business provides a large portion of its capital market's fresh investable money. Nwinee and Torbira (2012) discovered a short-term positive and statistically significant association between insurance investment in stocks and bonds and Nigeria's GDP. Olayungbo (2015) found that Nigeria's life and non-life insurance markets helped boost economic development. Sambo (2016) examined how insurance portfolio investment affects Nigeria's GDP.

The research found that insurance expenditure increased Nigeria's GDP. Chukwunulu, Ezeabasili and Igbodika (2019) examined how insurance expenditure affected Nigerian economic development. The data showed that insurance industry investments boosted Nigeria's GDP. Mojekwu, Agwuegbo, and Olowokudejo (2011) also found a correlation between Nigeria's insurance premiums and economic development. Akinlo (2013) found that the insurance business boosts Nigeria's economy. This is due to the insurance sector's long-term investment and risk mitigation funding. Risks threaten human existence and business investments imposing fears on household and corporate individuals. Insurance therefore exists to provide the avenue and mechanism of transferring risk from the person likely to suffer loss to the experts who specialize in the management of risk. These experts are the insurance companies. Akpan and Joseph (2017) opine that insurance companies act as a stimulus for the activity of businesses that are already in existence. This is done through the release of

funds for investment in the productive side of the business, which would otherwise have to be held in easily accessible reserves to cover any future loss. Investment portfolio must be managed, be it passive or active portfolio. Since the aim of portfolio management is the determination of optimal percentage of investible fund to each security that will sustain investor's goal for investment. In order to avoid holding a security with low yield, there must be periodic assessment using portfolio selection, revision and performance measurement, so as to evaluate the economic and interest rate impact on them at the short and long run perspectives. There are some aspects of portfolio management such as security analysis, portfolio analysis and selection, fundamental and technical analysis and lastly, industry analysis, which form part of security analysis. Portfolio analysis deals with the determination of portfolio future return and risk possibility. But portfolio selections focus on selecting the right asset for investment. Investor's objective is to maximize their wealth and minimize their loss, which calls for diversification. But to diversify investment, asset must be analyzed through internal, external and policy analysis. Under internal analysis, the firm's dynamics is analyzed to verify its possibility of generating future cash flow. External analysis compares other firm's activities in relation to the firm's profit made and dividend shares. But policy analysis looks at the likely effect of government policy on the firm's operation. The positive correlation of this analysis guides the manager/investor on the choice of investment, while negative implies refraining to invest.

According to Section 25 (1-5) of Insurance Act of 2003, "An insurer shall at all times in respect of the insurance transacted by it in Nigeria, invest and hold invested in Nigeria assets equivalent to not less than the amount of policy holder's funds in such accounts of the insurer. Subject to the other provisions of this section, the policy-holders funds shall not be invested in property and securities except; (a) shares of limited liability companies; (b) shares in other securities of a cooperative society registered

under a law relating to co-operative societies; (c) loans to building societies approved by the Commission; (d) loans on real property, machinery and plant in Nigeria; (e) loans on life policies within their surrender values; (f) cash deposit in or bills of exchange accepted by licensed banks; and (g) such investments as may be prescribed by the Commission. No insurer shall- (a) in respect of its general insurance business, invest more than 35 per centum of its assets as defined in subsection (1) of this section in real property; or (b) in contract of its life insurance business, invest more than 35 per centum of its assets as defined in subsection (1) of this section in real property. An insurer which contravenes the provisions of this section commits an offence and is liable on conviction to a fine of N50,000. In this section, references to real property include references to an estate in land, a lease or a right of occupancy under the Land Use Act".

There are three main sources of investment funds for firms: (1) internal funding using accumulated profits, (2) borrowing either from banks or through the issue of financial assets such as (long-term) bonds or (short-term) commercial paper, and (3) issuing new shares of stock—new "equity." Each of these funding methods imposes explicit and/or implicit costs on the firm. If the firm borrows in order to finance its investment, it pays an explicit interest cost. If it uses internal funds for investment, it is forgoing other uses of those funds. Had the firm not used the internal funds for new capital, it could have earned interest on the funds by lending them or purchasing financial assets. Thus, the implicit cost of each dollar of internally funded investment is (at least) the interest on forgone lending. In a "perfect capital market," where all borrowers and lenders pay and receive a uniform interest rate, the explicit interest cost of loan-financed investment equals the implicit forgone-interest cost of self-financed investment, so the cost is the same whether the firm finances through borrowing or internally. Issuing new shares of stock creates costs for those who own existing shares. Since the new shares represent

claims on the firm's future profits, they dilute the claims of existing shareholders in direct proportion to the amount of new stock issued. Insurers are among the top three institutional investors worldwide, along with pension funds and investment funds.

In most countries, insurers invest the largest proportion of their portfolio in government bonds and fixed-income private bonds; however, their investment strategies and risk management practices permit them to invest in shares, real estate, other instruments such as loans, as well as more complex financial instruments. The portfolio mix varies across countries depending mainly on the nature of insurers' liabilities, insurers' risk appetite, and the risk profile of insurers within the industry. In the life industry, the share of bonds in insurers' investment portfolios is typically higher than the level found in the non-life and composite insurance industries, to a certain extent due to the fact that investment in long-term bonds allows for a better matching of assets with their long-term liabilities (OECD, 2011).

Economic growth has been a major objective of successive governments in Nigeria. In performing the financial intermediation role, it has been argued that by virtue of this function commercial banks generate economic growth by providing needed resources for real investment

credit helps to create and maintain a reasonable business size as it is used to establish and/or expand the business to take advantage of economy of scale. It can also be used to improve informal activity and increase its efficiency. While highlighting the role of credit, Akpan and Joseph (2017), further explained that credit can be used to prevent economic activity from total collapse in the event of natural disasters. The commercial banks help to make these credit facilities available by mobilizing surplus funds from savers who have no immediate needs for such funds and thus channel such funds in form of credit to investors who have brilliant ideas on how to create additional wealth in the economy but lack the necessary capital to execute the ideas.

(Shaw, 1973; Mckinnon, 1973). Economic growth is one of the important factors that improve living standards in developing countries. It is an indispensable requirement for economic development among other factors. The role of finance in terms of money deposit bank was well acknowledged by researchers. The functions of these banks as financial intermediation involve channeling funds from the surplus unit to the deficit unit of the economy, thus transforming deposits into loans or credits. The role of deposit money banks in economic development has been recognized as credits are obtained by the various economic agents to enable them meet investment operating expenses. For instance, business firms obtain credit to buy machinery and equipment, farmers obtain credit to purchase machines such as tractors, seeds, fertilizers, and erect various kinds of farm buildings. Government bodies obtain credits to meet various kinds of recurrent and capital expenditures. Individuals and families also take credit to buy and pay for goods and services (Adeniyi, et al., 2019).

According to Akpan and Joseph (2017), the provision of credit with sufficient consideration for the sector's volume and price system is a way to generate self-employment and investment opportunities. This is because

According to Dolls, et al., (2018), in making credit available, money deposit banks are rendering a great social service because through their activities, production is increased, capital investment are expanded and a higher standard of living is realized.

Insurance market activity and economic growth

A large body of theoretical literature has emphasized how financial systems influence savings and investment decisions and hence long-run growth rates through the following functions (i) lowering the costs of researching potential investments, (ii) exerting corporate governance, (iii) trading, diversification, and management of risk, (iv) mobilization and pooling of savings, (v) conducting exchanges of

goods and services, and (vi) mitigating the negative consequences that random shocks can have on capital investment (Levine, 2004). Financial intermediaries support development through the improvement of these functions (i.e., the amelioration of market frictions such as the costs of acquiring information, making transactions, and enforcing contracts and allowing economies to more efficiently allocate resources (savings) across investments). However, the positive effects of financial development are tailored by the macro policies, laws, regulations, financial infrastructures and enforcement norms applied across countries and time. The insurance activity, both as a provider of risk transfer and indemnification and as an institutional investor, may contribute to economic growth in the following ways (i) promoting financial stability, (ii) facilitating trade and commerce (the most ancient insurance activity), (iii) mobilizing domestic savings, (iv) allowing different risks to be managed more efficiently encouraging the accumulation of new capital, (v) fostering a more efficient allocation of domestic capital, and (vi) helping to reduce or mitigate losses (Skipper, 1997). In addition, there are likely to be different effects on economic growth from life and non-life insurance (property / liability) given that these two types of insurance protect the households and corporations from different kind of risks that affect the economic activity in different ways and also because life insurance companies facilitate long-term investments rather than short-term investments as it is the case of non-life insurance companies.

At the empirical level, most of the extant work assesses the impact of the banking sector on economic growth showing that banking sector development contributes to explain economic growth (King and Levine, 1993b) and that there is a positive causal relationship between banking sector development and economic growth (Levine, 1999; Levine, Loayza, and Beck, 2000). Also, the impact of the stock market development together with that of the banking sector on economic growth has been studied by Levine and Zervos (1998), showing that initial

measures of stock market liquidity and banking sector development are both strong predictors of economic growth over the next 18 years, and by Beck and Levine (2004) who show that stock markets and banks have a positive causal relationship with economic growth.

However, the impact of insurance market activity on economic growth has not been studied as extensively as the role of the banking sector and the stock market.³ In this context, the main task of our paper is to assess whether insurance market activity influences economic growth distinguishing the particular effects of life and non-life insurance activity. Even though it is recognized that insurance activity not only would have an effect on economic growth as a provider of risk and indemnification but also as an institutional investor by mobilizing savings, we will assess the effect of insurance on economic growth only as a provider of risk and indemnification due to data limitations, which are explained below. Insurance market activity may not only contribute to economic growth by itself but also through complementarities with the banking sector and the stock market. In the first case, the conjoint effect with the banking sector, the development of insurance activity could encourage bank borrowing by reducing companies' market cost of capital, which influences economic growth by increasing the demand for financial services (Grace and Rebello, 1993).

Also, property insurance may facilitate bank intermediation activity by for example partially collateralizing credit, which would reduce bank's credit risk exposures promoting higher levels of lending (Zou and Adams, 2006). At the same time, the development of the banking sector may facilitate the development of the insurance activity through a much more effective payment system allowing an improved financial intermediation of services (Webb, Grace, and Skipper, 2002). Regarding the conjoint effect with the stock market, the development of the insurance activity, in particular life insurance companies, could promote stock market development by investing funds (savings) raised

through contractual saving products in stocks and equities (Impavido, et al. 2003).

In this context, the second task of our paper is to assess whether the measures of insurance market activity (life and non-life) are complementary or not to the measures of banking sector and stock market development in order to test if banks, stock markets and insurers complement each other.

Economic Growth

When a country's economic capacity grows, it can produce more goods and services. A country's production of products and services rises with time, indicating economic development. Economic growth occurs when a country's goods and services increase in value, even after inflation. Statisticians measure this growth by assessing the annual percentage increase in real GDP, according to the IMF (2012). It is usual to estimate growth in real terms since inflation may affect manufacturing prices. GDP growth is typically calculated using national income accounting. Using annual GDP percentage change to evaluate economic growth has pros and cons. The GDP-to-population ratio is often used to compare countries' economic development and per capita income. In this context, "rate of economic growth" means the average annual geometric GDP rise between two dates. Leaving short-term fluctuations out, this GDP growth rate indicates the pattern over time. Due to its importance as a policy goal, encouraging economic growth has been extensively studied. Intellectuals are addressing economic growth. Khorravi and Karimi (2010) state that classical research shows that manufacturing requires manpower and capital, which impacts economic growth. Economic growth occurs when a country's GDP grows. It demonstrates the economy can produce more goods and services than before (Abbas, 2005). Factory expansion creates employment and boosts the economy.

According to Krasniqi, et al., (2015), economic growth depends more on the number of goods and services produced than on their

production techniques. When assessed by nominal indicators like inflation or adjusted inflation, GDP growth may be used to estimate economic growth. Economic development focuses on financial performance and ignores other indicators of success (Warr & Ayres, 2006). Agbada and Osuji (2020) defined insurance as a contract whereby one party, called the insurer, in return for a consideration and accepts to compensate the other person, known as the insured an amount of money or its equivalent when certain specified event arises that is registered in the insurance policy of the insured. Insurance companies are financial institutions which guarantee us in moments of disaster and strive to maintain our previous financial positions by providing a lump sum amount for claims. To attain its goals and objectives, insurance companies engages in different securities investments so that they can make sustainable profit. Nagaraju and Roopa (2017). Also, Ojo (2010) explain that, Insurance companies are contractual financial institutions that specialize in providing insurance cover or protection against risk to their customers. Funds are mobilized from premium paid by policy holders into large financial resources and some are invested into financial securities after settlement of claims. Insurance firms as institutional investors invest in government securities, loans and housing or real estate development, among others. Expressing the unreserved right of insurance companies to invest in financial securities, insurance Act of 2003, strategically stated in section 25 that, insurance shall at all time by the nature of their operations in Nigeria invests and holds investments in assets or its equivalent and it should not be less than the amount of policy holder's funds in the insurance company's accounts. Egbona and Sambo (2023) added that, insurance companies act as a stimulus for the activity of businesses that are already in existence by making funds available to productive businesses for investment that would produce manageable reserves to cover any future loss or damage. In the same vein, Festus

(2019) see investments as a sacrifice of current money or other resources for future benefits.

However, there are three main sources of investment funds for insurance firms; they include accumulated profits generated internally, borrowing from banks and financial market.

Insurance Sector and Economic Growth

It is essential to identify the channels through which the insurance sector activity impacts the economic growth. Skipper (1997) shows 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. According to Zweifel, et al., (2012) insurance influences production and consumption, internal and international trade, transaction payment as well as the conservation of existing and creation of new wealth. Insurance sector improves allocation of risk and decreases transaction costs. Insurers reduce losses and therefore increase the efficiency of the economy and contribute to its stability and growth (Zweifel, et al., 2012). Risk transfer is the main function of the insurance on the client side (Haiss, & Sümegi, 2008). As far as the protection of existing wealth, insurers provide economic subjects a more stable basis for their planning by protecting existing wealth. This results in stabilization of consumption and thus supports economic growth (Zweifel, et al., 2012).

Insurance sector also contributes to capital accumulation. Premiums are paid at the beginning of the insured period while losses occur with a lag. This creates space for capital accumulation. There are differences between life and non-life insurance because life insurance shares at least two thirds of the capital stock. Life

insurance is much more affected by regulation so its ratio of premium income to GDP varies across countries (Zweifel, et al., 2012). The process of capital accumulation becomes more efficient as the development of the financial intermediary function improves (Pagano, 1993). Economic subjects could generate savings in life insurance which mobilizes capital. According to Arena (2008) there is also a different effect on economic growth from life and nonlife insurance (property-liability). These two types of insurance protect households and corporations from different risks and affect economic activity in different ways. Life insurance institutions make long-term investments to the contrary nonlife insurance companies rather make short-term ones. Insurers monitor management to avoid excessive risks, thereby encourage the efficient use of economic resources (Zweifel, et al., 2012). Economic agents by purchasing insurance protect themselves against the risks of daily life. Insurance can encourage loss mitigation which can be a substitute for and complement to government security programs (Skipper, 2001). It then may be more efficient to insure against flooding rather than the government or community was negatively affected (Zweifel, et al., 2012). Economic benefits from insurance mostly depend on the cultural context of a given economy. Where societies are indifferent to risk or risk transfer mechanisms, then social structure of the society will reduce the potential benefits from insurance. If different socio-cultural determinants of insurance purchasing decisions are taken into account, then the ability of insurance to increase economic growth will be likely different across economies. In the literature as the indicators of insurance sector activity are frequently mentioned to be the number of insurance companies, number of employees and insurance funds. Premium income relative to GDP, represented as the interest of the economy in insurance coverage, is a popular and frequent indicator for cross-country comparison.

Theoretical framework

Financial Liberalization Theory

The theory that guides this study is the 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 the seminal 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 rate levels rise towards their competitive market equilibrium, while resources are efficiently allocated. Arestis and Sawyer (2005) state that, the relationship between financial development and economic growth has received a great deal of attention throughout the modern history of economics. This theory is relevant to this study because insurance firms and commercial banks are financial institutions in Nigeria, which their expansion and development could contribute to economic growth.

Finance-Growth Nexus Theory:

This study is also based on the finance-growth nexus theory by (Schumpeter, 1911). Borrowing from Schumpeter, financial services are important for economic growth as long as they improve productivity by promoting technological innovation, investment and helping entrepreneurs with the best chances of success in the innovation process. He argued that mobilization of productive savings, efficient resources allocation, re-investment of mobilized financial resources into the economy would facilitate economic growth. He further stressed that these effects could create a favorable macro-economic framework for strong economic

growth. As a matter of fact, theoretical endogenous growth models which integrate financial development support this thesis (King and Levine, 1993; Beck, Levine and Loayza, 2000; Levine, Loayza and Beck, 2000). This theory is related to this study because for economic growth to subsist insurance companies and commercial banks must mobilize their idle accumulated funds and re-invest such funds into the deficit economic unit to boost money supply and capital formation in the economy.

Empirical Review

Oke, Fayomi, and Ayorinde, B. F. (2024) examined the nexus between insurance sector and economic growth in Nigeria from 1985 to 2022 using ordinary least square (OLS) and pairwise granger causality as estimated technique. Specifically, the study analyzed the relationship between insurance investment and economic growth in Nigeria; determined the relationship between non-life premium and economic growth in Nigeria; investigated the relationship between life premium and economic growth in Nigeria and evaluated the relationship between inflation rate and economic growth in Nigeria. Also, the study used Gross Domestic Product (RGDP) was used as a proxy for economic growth which is dependent variable while insurance investment (IINV), non-life premium (NLP), life premium (LP) and inflation rate (INFR) were used as the explanatory variables. The result revealed that there is no causal relationship between investment (LIINV) and gross domestic product (LNGDP), there is a unidirectional relationship from LNGDP to LNLP, also, there is no causal relationship between LNGDP to LNNLP. Also, there is a unidirectional relationship from LNINFR to LNGDP. The direction of the flow comes from gross domestic product to life premium, also, inflation rate (INFR) to gross domestic product (GDP) while there is no causal relationship between insurance investment (IINV) and gross domestic product (GDP), also, there is no causal relationship non-life premium (NLP) and gross domestic product (GDP). and concluded that there is a

unidirectional relationship from gross domestic product to life premium, also, unidirectional relationship from inflation rate to gross domestic product. While there is no causal relationship between insurance investment and economic growth in Nigeria, also, there is no causal relationship between non-life premium and economic growth in Nigeria. Therefore, it recommended that the insurance regulatory body should reassess its reform policies and implement measures to increase premium mobilisation.

Additionally, the insurance business should invest more in growth-oriented industries. To ensure Nigeria's economic growth, reliable inflation monitoring is needed now. Obayagbona and Iroh (2023) examined the role of insurance sector development in the growth of the Nigerian economy for the period 1985 to 2022 (38 years). The Autoregressive Distributed Lags (ARDL) technique was employed in the analysis of data, and the results from the empirical analysis indicate that insurance penetration (INPEN) has a weak positive relationship with economic growth in the long run; insurance premium (INPR) has a significant negative impact on the growth of the Nigerian economy; insurance assets (INASS) failed the 5% level, suggesting that it does have significant impact on the growth of the Nigerian economy; insurance investment rate (INIVR) has a weak negative relationship with economic growth in Nigeria; while the previous values of RGDP, INPEN, INPR, INASS and INIVR significantly impact economic growth in Nigerian in the long run than their current values. The study recommends among others that since insurance premium (INPR) is significant and inversely related economic growth, it therefore follows that the insurance firms in Nigeria should ensure the implementation of appropriate premium rate that will not only attract more clients but will also boost overall income to the firms thereby contribute meaningfully to economic growth in Nigeria. Etale (2019) examined the relationship between insurance industry growth and Nigeria's economic growth from 2001 to 2017. The

dependent variable was GDP, while the independent variables were total insurance investment (INV), premium (PRE), and claims (CLA). This study's descriptive statistics were estimated using multiple regression. The findings showed that overall insurance investment, premium, and claims increased GDP, a proxy for economic growth. To clarify, total insurance claims had a 19% p-value, whereas total insurance investment and premium had 5% p values.

This research proves that Nigeria's insurance market has improved the economy. It is advised to ensure that all people and companies have enough insurance coverage. This move aims to protect investors, secure them, and expand the economy gradually. Regulators must also pass laws encouraging insurers to employ transparent and effective fund management. Insurance companies should diversify their investment portfolios to optimise revenues and improve claim payment. Raji and Omojola (2019) examined whether the insurance industry affected Nigeria's GDP growth from 1991 to 2017. The study variables were estimated using ordinary least square regression. Life and non-life insurance premiums were statistically significant at 5%. This shows that premiums significantly impact GDP. No significant impact on GDP was seen from the overall insurance investment. The study indicated a statistically significant unfavourable link between insurance and economic growth. These findings support national insurance mandates for companies and drivers. To promote transparency, prevent unfair business practises, and encourage responsible conduct, the National Insurance Commission (NAICOM) and other regulators should monitor insurance businesses' financial holdings. Several initiatives are needed to strengthen Nigeria's economy and achieve insurance sector objectives.

Iyodo, Samuel, Adewole, and Ola (2020) evaluated Nigeria's non-life insurance market's impact on economic development from 1988 to 2012. Retrospective research and selective sampling were employed in the study. Data was

analysed using descriptive statistics, unit root tests, and ordinary least squares using multiple regression models.

Non-life insurance penetration boosted Nigeria's economy during the period. Profit and investment boost the economy, albeit with little statistical significance. Unfortunately, savings and government spending damaged the economy. To provide clients a wider choice of plans, insurance offerings should be adjusted, particularly in the non-life market. The results also suggest familiarising people with non-life insurance services to maximise effect and engagement. Obah, Avery and Bobkime (2021) examined insurance activities and economic development from 1990 to 2017. The research used Estimation methods included Dickey and Fuller (1979), Phillips Perron unit root, and Johannsen co-integration. GDP growth is favourably correlated with total insurance investment. Insurance funds offer long-term investment capital, helping Nigeria's economy improve. To boost money growth and the Nigerian economy, the insurance pool must invest. Fadun (2023) examined Nigeria's insurance coverage and economic development from 2004 to 2017. In this work, OLS was used to estimate. Insurance claim settlements and life and non-life insurance penetration influenced Nigeria's economic development.

Additionally, life and non-life insurance penetration boosted Nigeria's economy. The research found that non-life insurance penetration and density hurt Nigeria's economic development. However, life insurance uptake and claims settlement efficiency did not substantially affect Nigeria's economic progress. For economic development and insurance sector expansion, insurance's profile and visibility should be raised. Use of regional and social media, creation of new insurance products adapted to public needs, and customer service improvements may achieve this aim.

Oloyede, Folorunsho, and Ogiamien (2023) examined insurance's impact on Nigeria's economy from 1986 to 2020. OLS modeling for the short time span. RGDP was used as a proxy

for GDP and economic growth in this research. TPR, TIC, INV, and INFLATION explained total insurance premium, claim, and investment. Ordinary Least Squares (OLS) shows that insurance claim value, total insurance claim, total insurance investment, and inflation rate do not substantially affect GDP growth. However, economic progress and overall insurance premium are strongly correlated. In the near term, insurance company indicators boosted economic growth. In conclusion, insurance company indices will boost economic growth in the future. To protect investment interests and boost long-term economic development, mandatory insurance coverage for persons and enterprises is advocated.

Additionally, insurance companies should be subject to tougher cash management laws. For higher returns and insurance claims, investors should diversify their holdings. Victor (2013) examined the impact of insurance on economic growth in Nigeria. The findings of Victor (2013) revealed that insurance helps to reduce risks, in addition to other functions provide means of accumulating savings. Such accumulated savings provide insurance companies with a pool of funds for investments that aid development. Also, Ubom (2014) examined the link between investment portfolio of insurance firms and the variables of economic development such as the growth rate of gross domestic product (GDP), unemployment, capacity utilization and inflation rates in Nigeria from 1990 to 2011. Data were analyzed using descriptive and inferential tools. The findings were that insurance companies in Nigeria got over 95% of income on yearly basis from premium and accumulated large sum of funds after expenditures on claims but invest less than 1% of such funds. Stock and bonds, government securities as well as real estate properties and mortgages dominated the investment portfolio of these financial institutions with heavy concentration in the assets of quoted companies.

Hence, small and medium scale enterprises were not funded. As such, insurance firms were not making any significant influence

on economic development in the country as evidenced in the marginal growth rates of gross domestic products (GDP) and capacity utilization, among others. Earlier study on the industry also confirmed that investment respond to market conditions given the neo classical investment theory (Akinifesi, 1981; Jorgenson, 1967). Since investment takes time, the delay which may be attributed to commitment of expenditure, lack of information or delay in making timely investment decisions. As a result of this, the returns on investment are what motivate an investor to invest in a particular asset. Which is best explained through interest on such investment. Interest is the payment for the use of borrowed funds or the change in the value of an asset over a specified period of time. Interest rate is the percentage rate of change in the value of an asset at any point in time or over a period of time (Bell & Todaro, 1969). In reality, there is more than one interest rate due to risk, nature of security, services in addition to the loan (investment) itself, lack of free competition among lenders or borrowers, length of time the loan has to run and others causes. The legislative constraints on the choice of investment of insurers have social, political, and economic advantages, yet these restrictions operate to the disadvantage of the insurers, especially when such outlets are not (highly) profitable.

According to Ngereboa (2014) life assurance companies' investment favoured long term rather than short term based on their liabilities. The nature of business of an insurance company determines the profiles of its liability and the direction of its investment. Life Assurance companies differ from non – life insurance companies in their investment objectives. The life assurance companies has more fund available for long – term investment, while non-life insurance companies invested in short – term investment due to its liability structure (Arena, 2008). The Investment behavior of Insurance Companies in Nigeria was the mainstay of the study by Akintola-Bello (1986) which observed the great variation in the asset holdings of life and nonlife insurance companies,

owing to the need to match assets with the maturity structure of their liabilities. While non-life companies prize liquidity very highly, life insurance companies did not. For life companies emphasized government securities, mortgages and real estate, common stocks and corporate bonds, all of which are long-term high income-yielding assets in their portfolio. Although portfolios differ widely in maturity structure and in riskiness between life and non-life companies, both hold a wide variety of financial assets. Balogun (2013) made an econometric analysis of the determinants of investments by insurance companies in Nigeria, where he developed models of investment on each asset in the portfolio.

Accordingly, each asset is made a function of insurance fund (or total assets) deflated with GDP, average rate of interest as a proxy for returns on investments, premiums/claims ratio and a dummy for legislation years. Use was also made of time-series annual data for 13 years (1969 - 1981) in acquisition of 4 major assets; namely government securities; stocks, shares and bonds; mortgage and loans; as well as cash and bills receivables. The result showed a good fit for life insurance companies using the log linear specification while the non-life and mixed insurance companies had their data showing good fit with the linear form. All the hypothesized variables were found to be statistically significant, though some at 10% significance level. Haiss and Siimegi (2008) investigated both the impact of insurance investment and premiums on GDP growth in Europe, applying cross-country panel data analysis from 1992 to 2005 for 29 European countries. They found a positive impact of life insurance on GDP growth in the EU-15 countries, Switzerland, Norway and Iceland. For the New EU Member States from Central and Eastern Europe, they found a larger impact for liability insurance. Furthermore their findings emphasized the impact of the real interest rate and the level of economic development on the insurance-growth nexus. They argued that the

insurance sector needs to be paid more attention in financial sector analysis and macroeconomic policy (Haiss & Siimegi, 2008).

Omoke, (2012) empirically assessed insurance market activities in Nigeria with the view to determining its impact on economic growth. The period of study was 1970- 2008, the study made use of insurance density measures (premium per capita) as a measure for insurance market activity and real GDP for economic growth. It also employed control variables such as inflation and savings rate as other determinants of growth. The Johansen cointegration and vector error correction approach was used to estimate the relationship between the variables. All the variables used were stationary at first difference and the result showed a long-term relationship existing among the variables. The hallmark finding of this study is that the insurance sector did not reveal any positively and significant effect on economic growth in Nigeria within the period of study. The result shows a low insurance market activity in Nigeria and that Nigerians have not fully embrace the insurance +industry despite its importance to the growth of the economy.

Nwinee and Torbira (2012), attempt at investigating the empirical relationship between components of insurance investment and economic growth indicator represented by Nigerian gross domestic product (GDP) as well as the direction of causality between the variables for the period 1980-2010. They constructed an insurance investment-economic growth model patterned after the Solow and Kaldor's model using multivariate regression analysis as well as the Granger-causality technique, variance decomposition technique and co-integration test within the context of Vector Auto regression system. Results from the short run analysis reveals that insurance investment in stock and bonds were positive and significantly associate with GDP while Government securities and real estate and mortgage negatively but significantly associate with GDP. The short run relationship between cash bank and GDP is positive but insignificant. The results of the

impulse response and variance decomposition of GDP to shocks emanating from the explanatory variables show that own shocks remain the leading variation in the forecast error of the variables. The study recommends that insurance business awareness, proper fund management, efficient and effective insurance fund allocation on investment should be encouraged while insurance guidelines should be directed and shaped to achieve their target objectives in the economy.

Ahmed (2012) empirically and comparatively analyses the insurance companies and commercials banks' investment portfolios and their contributions to Nigerian Economic growth. A multiple linear regression method was adopted to test the research hypothesis. The findings state that there is a positive but no significant relationship between government securities, stock of bond, real estate and mortgage, policy loans, cash deposits, bills of and Nigerian economic growth. This suggests that insurance companies' investment do not contribute expressively to economic growth in Nigeria within the period under study. This is in line with the findings of Egbeonu (2013) that investigated the pattern of flow between insurance investment portfolio and economic development in Nigeria; he used various econometric tools to perform the analysis, such as the multiple regression analysis, unit root test, Engle – Granger co-integration and Granger Causality. Regression analysis shown positive and significance relationship between bills of exchange, stocks and bonds and negative insignificance relationship was reported between Government securities and GDP. He therefore recommended that insurance sector awareness be increase and encourage in the country.

Ozuomda (2013) examine the Impact of Insurance on Economic Growth in Nigeria. The findings from his study drew the direction of the alternate hypotheses which state that; there is a significant relationship between insurance premium and Nigerian economic growth and the study recommends that policy efforts should be engaged by government at growing the

insurance industry in the country through improves investment, production and employment creation.

In the same vein, Nagaraju and Roopa (2017) analyze the structure of investment portfolio of different Life insurance companies of India. The focus was on the relationship between investment portfolio and viability of insurance companies in India. Results from the study reveals that, Life insurance companies largely focus toward Share investment through private placement and mainly invest in government securities which they generally do as a part of statutory requirement and for safety reasons Taiwo (2013) examines the causal relationship between insurance and Nigerian economic growth. Vector Error Correction model (VECM) was adopted together with co-integration test techniques and results shows GDP, premium, inflation and interest rate correlate with GDP. The granger causality result reveals unidirectional causality which means that insurance contributes to economic growth in Nigeria as they offer the necessary long-term fund for investment. Examining the direction of causality between total real insurance premium and real Gross Domestic Product for nine OECD economies over the period 1961 to 1996 by Ward and Zurbruegg (2000), they used the bivariate Vector Auto Regressive Model for Granger causality test and co integration, they found that total real premium Granger causes real Gross domestics product for Canada and Japan but a bi-directional causality was established for Italy and there was no causal relationship from the results of other countries. The results from the Error-correction model shows that, beside Canada and Japan, causality runs from insurance market to real GDP for Australia and France. No long run relationship exist between insurance growth and economic growth for some OECD countries such as the UK and the US. The authors opine that cultural predispositions towards uncertainty avoidance, the resulting propensity for insurance and the effects of regulations in different countries as well as the insurance density they offer and its

dynamic growth serve the possible explanations for the result obtained.

Hosseini and Sanam (2012) empirically examine the existence of casual relation between insurance sector development and economic growth in Iran for the period 1960-2010. According to the obtained results, there is a unidirectional causality relation from insurance development to economic growth. Wong, Aye and Kevin (2013) investigate the Economic Development Co integration and Malaysian Life and General Insurance Consumption. The study strives to determine the short and long run relationship between life/general insurance and economic development as proxy by gross domestic product (GDP). The explanatory variables include capital stock, total employment, life and general insurance. The study also used various tools for analysis such as Johansen co-integration test, Granger Causality test and co-integration rank test with error reducing methods. From the results of the study, life insurance premium and total employment have positive impact and significant relationship in the short run economic development, while lag of Gross domestic product, capital stock, total employment, and general insurance premium reveal a positive and significant relationship in long run economic development in the Malaysian.

Halimah (2016) empirically assess the effect of insurance investment on GDP in Nigeria. He asserts that using monthly data from 1996 to 2012 has not been empirically established. The study makes use of monthly time series data for the portfolio of investment within this period and the Gross domestic product as its variable. To estimate the relationship among the variables the study employs Multiple regression analysis Consequently, the study concludes that the statistically positive R² of 74% indicates a joint relationship between insurance investments and GDP in Nigeria. It was recommended that the increase in insurance investment that forms its industry portfolio would maximize the investments and result to increase in economic development.

Peter and Kjell (2008), investigate both the impact of insurance investment and premiums on economic growth in Europe. Findings from the study reveal a positive impact of life insurance on economic growth in the Europe 15 member countries including Switzerland, Norway and Iceland. For the new Europe member states from central and eastern Europe the study reveals a larger impact for liability insurance. Furthermore, their findings emphasize the impact of the real interest rate and the level of economic development on the insurance-growth nexus. They argued that the insurance sector needs to be paid more attention in financial sector analysis and macroeconomic policy.

Hendon (2014) investigates the driving force of life insurance and family consumption in Malaysia. He employed annual time series data covering the period 1970 to 2008. Testing the hypotheses, he employed the autoregressive distributed lag (ARDL) and the results confirmed the existence of co-integration between the variables. The estimations of the coefficients of determination reveal a long-run relations and error correction model also discovers that income, education level, and EPF are among significant predictors of the life insurance and family consumption.

Lugman, Stephen and Tessema (2015) investigate the factors that influence life insurance market from Ethiopian perspective. The study employed secondary time series data on eleven explanatory variables, six of which are economic and five demographic variables for a period of 28 years 1979 to 2008. Tools used were error correction mechanism, the Johansen co-integration test and the Augmented Dickey-Fuller test. Meanwhile the result shows a long-run relationship among the variables with inflation having a significant negative impact on the demand and supply in the life insurance market. The study further recommended that, during high inflation, life insurance companies should review price decisions in order to improve the life insurance market. Also it is pertinent to minimize the negative effect of young dependent

through wide sensitization on the young age and through their families. This will help to promote products that suit the young children such as children's education policies.

Torbira and Ogbulu (2014) empirically investigated the relationship between fund mobilization by insurance companies and gross fixed capital formation in Nigeria and how the mobilization of fund responds to incentives arising from the insurance companies. The study employed multivariate regression model to estimate and analyze five variables adopted for the study. They stated that Insurance companies raise funds by selling policies and taking in savings deposits and adequately investing these deposits in various forms of insurance investment as provided for in section 25 (2) of The Insurance Act of Nigeria 2003. The various insurance products of convenience, risk reduction, transfer and indemnity of losses offer to their customers or policy holders' aid profitability of insurance companies through the mobilized premium fund or savings. The study presented two results on short and long run analysis on gross fixed capital formation response to innovations emanating from insurance premium/savings mobilization. They recommend that if the managers of the Nigerian economy focus on formulating and implementing appropriate policies that will increase insurance penetration will definitely improve insurance fund mobilization and enlarge the insurance market and will have positive expansionary effects on capital formation in Nigeria, stressing that this could be facilitated through the use of modern information technology to boost insurance patronage in Nigeria.

In the same manner, Mojekwu, Agwuegbo and Olowokudejo (2011) examine the effect of insurance contributions to Nigerian economic growth from the period between 1981 and 2008. The study employed the dynamic factor model on a multivariate time series which analyze a functional relationship between the volume of insurance contribution and economic growth in terms of underlying but unobserved random factors. The results of the study reveal that real

gross domestic product is positively correlated to insurance contributions economic growth. Boon (2005) supported this assertion that, total insurance funds affect both capital formation and economic growth in the short and long run. This can be ascribed to the fact that insurance activities rely a lot on investment. They therefore recommend that government policy should be directed at growing the insurance industry in the country and through such means enhance investment.

Oluoma (2014) examine the impact of life-insurance penetration, non-life insurance penetration, total insurance penetration and insurance density on economic growth in Nigeria. He argues that, insurance is one of the cornerstones of modern day financial services sector. That apart from its traditional role of managing risk, insurance market activity both intermediary and as provider of risk transfer and indemnification, has promote growth by allowing different risks to be managed more efficiently through promoting long term savings, encouraging the accumulation of capital, acting as a conduit to investment opportunities as well as mobilization of domestic savings into productive investment. Oluoma further state that insurance is an indispensable aspect of a nation's financial system that impacts savings and investment through lowering of investments. The sources of data for the study emanate from the Central Bank of Nigeria statistical Bulletin, National Insurance Commission and Nigerian Insurers Association and adopted the ex-post facto research design. Four hypotheses were proposed and tested using the Ordinary Least Square (OLS) regression model. Oluoma recommends that insurance should focus more on attracting rural communities into the insurance bracket which will assist at enhancing savings by providing funds for investment into the Nigerian real sector. Anju and Renu (2013) investigate the association between life insurance and economic growth in India. The study used life insurance premium and investment as proxy for life insurance and Gross Domestic Product for the economic growth. The

data was sourced from the Handbook on Indian Insurance Statistics (IRDA), annual reports and economic survey for the time period 1991 to 2011. The study also utilized Ordinary Least Square regression model and Breusch-Godfrey and the main finding of the study is that life insurance significantly influences the economic growth in India.

Hadhek (2014) assert that, the purpose of the study is to examine the relationship between insurance business and the economic growth of 23 OECD countries over the period 1990 – 2011. The study adopts a static panel data model and the basic findings emerging from the empirical analysis show a positive impact on non-life insurance, measured by the penetration rate on economic growth and a negative effect established on total insurance and non-life insurance measured by the density on economic growth. Eric, Antwi and Larrey (2013) strongly attempt to find out the determinants of the profitability of insurance firms in Ghana. They maintained that work done on determinants of banks profitability far offsets work done on insurance and no effort has been made to find out the determinants of profitability of insurance firms. They were of the opinion that most of the study on firms profitability has been on the banking sector globally than can be said about the insurance industry. The study made use of secondary data collected from sixteen insurance firms in Ghana for the period 2005 to 2010. Finding from the study reveals that, apart from tangibility which has a negative relationship, there is also a positive relationship between leverage, liquidity and profitability of insurance firms in Ghana. The study concluded that, the profitability model adopted has been explained in respect to all the independent variables and that the degree of error is less than 20%.

However, they suggested that the descriptive variables used in this study should be retreated on Return on Equity to find their extent of relationship on profitability. Bloom and Milkovich (1995) examine the relationship between risk- performance based pay and organizational performance; they argue that

most of the recent agency-based research on performance-based pay virtually omits the role of risk and compensation research has predominantly taken the positive perspective of incentive properties on performance-based pay, thereby undermining the Statistical Models. Building on previous research work such as Beatty and Zajac (1994), Bloom and Milkovich re-introduce risk by investigating its effects on the formation and outcomes of performance-based pay contracts.

Explicitly, the study examines both the main effects of risk on the structure of compensation contracts and the joint effects of risk and performance-based pay on firm performance. Data used in the study was based on of incumbent managers from 356 companies over the period 1981 to 1988 which consist of pooled cross-section-time series with multiple observations on each firm, controlled for serial correlation in the data. Since the study was the first to test the predictions agency and strategic-contingent theories that make the relationship between risk- performances based pay and firm performance. Although, the study expects a positive relationship, even if the firm was pursuing a more risky strategy, some indication of importance results reveals that the study will provide policy makers with more information about how employees react to risk in the employment relationship, especially risk related to compensation and how it would assist them in making better decisions about how pay can support overall business objectives.

Philip (2011) empirically assesses insurance market activities in Nigeria with the view to determining its impact on economic growth. The study stated its variables to be Premium used as a proxy for insurance market activity and real GDP for economic growth and other control variables such as inflation and savings rate as other determinants of growth. The techniques used for the study includes Johansen co-integration and vector error correction approach to estimate the relationship between the variables and were stationed at first difference signifying that a long term relationship

exists among the variables. Findings from the study show that the insurance sector does not have any positive significant effect on economic growth in Nigeria within the period 1970 to 2008. Philip further argues that insurance sector within total financial intermediation has risen over time and the magnitude and intensity of links between insurance, banking and capital markets has also risen. Thus the likely impact of insurance on the economy is expected to have gone up. This informed the need to conduct an empirical survey of insurance market activity and economic growth in Nigeria. For the fact that insurance industry in Nigeria is highly underdeveloped, it look disturbing but not totally surprising that insurance market activity did not show any significant positive relationship with the real domestic product which was deployed as a measure of economic growth. He state that functions of insurance companies are providing means of risk management and performing mobilization and allocation of resources, but its contributions to economic growth could not be proven empirically. The result from the study further shows that other control variables such as inflation and savings rate have significant effect on growth. His major finding was that insurance density (premium per capita) did not show significant positive relationship with economic growth within the period under study. The result from Philip study was contrary to theoretical expectation of Ward and Zurbruegg (2000) and Hammound (2006) findings.

Therefore, the study recommends the consolidation of regulatory and supervisory aptitude of insurance industry in Nigeria and the provision of means for oversight tasks especially in the regions of market behavior thereby ensuring that claims are paid promptly, fairly and efficiently.

In another related study, Ezirim (2004) analyze the relationship between intermediation operations and profitability of insurance companies in a developing African economy (Nigeria). In this case the emphasis was on comparing the effects of the intermediation operations on two different indices of

profitability, namely Returns on assets (ROA) and Returns on equity (ROE). The critical indicators of financial intermediation used were resource use index, liability composition, asset composition, expenses ratio, liquidity ratio, and capital adequacy. Multiple regression techniques were specified to bond the variables relationships and estimation which follow the linear and log-linear least squares. The results showed that the ROE model behaved better than the ROA model in capturing and expressing the relationship between profitability and intermediation indicators. The results agreed with the earlier study by Agiobenebo and Ezirim (2002), in respect of a suffocating preponderance of sub-optimality syndrome in the management and use of available funds by the institutions studied. It is in the light of the above stated point that Ezirim (2004) investigated the effects of the various facets of the intermediation function on the profitability of insurance companies. Drawing evidence from Nigeria, the paper makes a comparative analysis of the effects of financial intermediation indicators of resource use ratio, liability composition, asset composition, expenses ratio, liquidity ratio, and capital adequacy; on the ROA and ROE indices. Multivariate regression models were constructed for the purpose and estimation done using the Least squares technique (OLS), applied to time series annual data from 1970 to 1998. The results show that the ROE model behaved better than the ROA model in expressing the relationships between profitability and the indicators of intermediation.

Further, a general implication of the results of the analysis was the suffocating preponderance of sub optimality syndromes in the management and use of available funds by the institutions studied. Recommended policy directions include managerial reorientation, policy readjustments, practice of efficient portfolio construction and management, and removal of regulatory bottlenecks. The study attempts to investigate the factors that affect insurance investment behavior in Nigeria, using the Partial Adjustment Mechanism. It was discovered that

insurance companies' investment behavior responded positively and significantly to the level of premiums, capital base, and profitability of operations (ROA), but inversely and significantly to the rate of growth of the economy. Investments in the previous periods though positively related, failed to be a significant vector on current investment decisions. It takes the Nigerian insurance industry an average of 44 months, 14 days to attain optimum level of investments, i.e. an achievement rate of 27% in a given year;-and a rate that signifies low level and/or improper allocation and utilization of investible resources. Against these backgrounds; portfolio adjustments, management reorientation, development and training; and governmental policy review and decree amendments were suggested by the paper.

Lassad. and Tahar J. (2015) investigate the effect of insurance on economic growth taking into consideration insurance penetration and insurance density with empirical analysis. They assert that, the main function of the insurance is risk transfer which supports the creation of a more stable environment for businesses and the reduction in the level of capital required to protect against risk. Insurance not only contribute to a stable environment, but it also educates companies of the importance of risk management, and influences their investment decisions. The data used for study covered the period 1998. They consider three main dependent variables that capture insurance sector, which includes the ratio of gross life insurance premiums to Gross domestic product (Life insurance penetration), the ratio of gross non-life insurance premiums to Gross domestic product (Non-Life Insurance penetration) and the ratio of gross insurance to population (Insurance Density). Lassad and Tahar further stressed that; Insurance indicators are measured by insurance penetration (the share of gross premium written to GDP) and insurance density. The results of the analysis were consistent with reality and with previous studies on the evaluation and influence of insurance sector on economic growth in developing countries. They confirmed that there

is a correlation, based on the causal impact, between the insurance markets, measured by the level of insurance penetration. The correlation obtained between the GDP per capita and the insurance share in GDP shows a greater effect of the non-life insurance than that of the life insurance, a result that explain predomination of non-life. Also, according to their results, insurance sector positively and significantly influences economic growth. They recommended that it is imperative for the relevant institutions to implement institutional improvements contribute to the strengthening of competition, to advance techniques for risk management, to develop new products and new distribution channels.

Research Gap

In Nigeria, empirical study has revealed that work done on insurance investment and economic growth has far outweighs other studies on insurance. In fact little or no effort has been made to find out how these insurance investment components also influence the profitability of insurance firms. Insurance firms are now seemed to be engaging in promotion to attract prospective clients and to tell the general public how reliable and dependable they are in settling claims. If not all most of them now pay claims on time.

However, little or no attention has been given to the level of performance of the insurance firms in terms of profitability determinants from the insurance investment in Nigeria. Review of literature suggests that most of the studies on firms' profitability has been on banking sector globally than can be said about the insurance industry. It is clear from the above that, the influence of insurance investment on profitability and their effect on economic growth has been significantly under researched. The focus of this research is to address this gap by determining the relationship between insurance investment activities and economic growth and their influence on profitability of insurance firms in Nigeria to help insurance firms increase profitability in line with investment strategy. This

study, therefore sought to find out the influence of investment on profitability of insurance firms in their quest to manage risk. Many specialists have before now investigated the relationship between insurance investment and economic growth and usually concludes that insurance investment does not contribute significantly to economic growth in Nigeria but increase in insurance investment would maximize the investments and result to increase in economic growth. The aim of this research work therefore, is to provide a systematic assessment, which is based on statistical methods and on a series of data gathered along 38 years, on the effect of insurance investment business on economic growth and their degree of influence on insurance firms in term of performance.

Methodology

Research Design

This study adopts pure descriptive survey. We construct insurance investment-economic growth and profitability model patterned after the Solow and Kahneman's model using ordinary least square regression test which will reveal the predictive ability of the model and relative statistics of the variables in the short run and the Granger-causality technique as well as co-integration test.

Population of the study

The population of this study is targeted at the Nigerian economy (GDP) and activities of all Insurance companies in Nigeria as captured in the Central Bank of Nigeria's Statistical Bulletin 2025.

Data Collection Method

In carrying out this study, we collected secondary data for estimation from the Central Bank of Nigeria's Statistical Bulletin (various issues), the Nigerian Stock Exchange fact book (various issues). Data for this study was the annual time series data ranging from 1980 through 2025 and presented in tables.

Data Analysis Technique

Given, the main objective of this study it becomes fundamental to examine the properties

of the time series data to ascertain their stationarity properties or otherwise, the nature of long run relationship as well as correct any form of distortions that may arise in the short run and also examine the nature and direction of causal relationship. Thus, the following tests will be carried out to ensure that the key objectives are achieved – Stationarity test, Cointegration test, Error Correction Estimates and Granger Causality Test. Therefore, this subsection is further subdivided as follows:

Stationarity Tests

Stationarity or Unit root tests seek to evaluate the stationarity properties of the time series variables employed as both a necessary and pre-condition for estimating the co-integration equations. In this study, the Augmented Dicker-Fuller (ADF) tests are employed to confirm; (a) stationarity of the time series data employed, (b) avoid spurious estimates as a consequence of (a) above and (c) confirm the order of integration of the time series variables. The decision rule is that the absolute values of the ADF-statistics should be higher than those of the Test Critical Values at 1%, 5% and 10% levels of significance for all the study variables employed.

Cointegration Tests

Co-integration tests are carried out in order to ascertain the nature of long-run relationship between the variables of study. This is done through the Johansen's Co-integration test to confirm the existence of a long-run relationship between the variables. The decision rule is that the 'Trace Statistic' is greater than the 'Critical Value'.

Error Correction Estimates

It is theoretically expected that some deviations from long run relationship could occur due to distortions in any of the variables in the short run. In this direction, Obamuyi (2009) suggest that these adjustments are necessary for policy implications. Consequently, the Error Correction Model (ECM) is employed.

Model Specification

In the general form of the linear regression model, the dependent variable Y is assumed to be a linear function of an independent variable X. To express the model in equation form:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + e$$

Where;

Y is the dependent variable

X1, X2, X3 ... Xn represent series of independent variable

e is the error term

For our study, we express Real Gross Domestic Product as a function Insurance companies' Total Investment Portfolio. Thus, the model is specified as:

$$RGDP = F(GSE, STB, REM, CBD) \dots \dots \dots (1)$$

Statistically;

$$RGDP_t = \alpha_0 + \beta_1GSE_t + \beta_2STB_t + \beta_3REM_t + \beta_4CBD_t + \varepsilon_t \dots \dots \dots (1)$$

The a priori expectation is summarized as follows:

$$\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \text{ and } \beta_4 > 0$$

Where;

GSE = Government Securities

STB = Stock and Bonds

REM = Real Estate and Mortgage

CBD = Cash and Bank Deposit

ε_t = Error Term

Description of variables

Dependent variables

Real Gross Domestic product (GDP)

Economic performance was estimated using the real GDP growth rate. This variable will be used since it has been deflated. However, gross domestic product measures the income per head. In line with the works of Holsboer (1999), Ward and Zurbruegg (2000) and Nwinee and Torbira (2012).

Independent Variables

Government Securities (GSE)

Government security is a bond or other type of debt obligation that is issued by a government with a promise of settlement as soon as the bonds are matured.

Stock and Bonds (STB)

Insurance companies' serve the needs of business units and private households in financial intermediation. Investment in Stocks as capital raised by other companies or corporations through the issue and subscription of shares, and bond as a fixed income investment.

Real Estate and Mortgage (REM)

Real estate is a property which contains land, buildings, as well as the natural resources on the land, including fallow vegetation and wildlife, farm crops and animals, water and mineral deposits. Mortgage on the other hand, is a legal agreement that bears the provisional right of possession on an asset or property. Investment in real estate and mortgage by insurance companies are long term investment and is expected to be positively related to economic growth.

Cash and bank Deposits (CBD)

In the world of finance, a *cash deposit* is defined as money that is injected into a checking, money market or savings account, either via money transfer, ATM machine or through a bank

teller. In simple terms, a *cash deposit* is money placed in a financial institution for protective custody and also provides the major investable funds for investment.

Apriori Expectation

This is based on models and experimental studies. It is expected that stock and bonds, cash and bank deposit to be positive and significant to economic growth (GDP), government securities shall positive and significant relationship. Also, real estate and mortgage shall be positive and significant to economic growth. Mathematically stated as $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$

Results And Discussions

Presentation of Data

The data for this study include Nigeria's annual Gross Domestic Product (GDP), a proxy for economic growth which constitutes the dependent variable, Insurance sector's investment in Government Securities (GSE), Stocks and Bonds (STB), Real Estate and Mortgage (REM) as well as Cash and Bank Deposit (CBD) from 1980 – 2025.

Table 1: Component of Insurance Investment and GDP Data for Nigeria from 1980-2023

Year	GDP (N'B)	Government securities (N'B)	Stock and Bonds (N'B)	Real estate and Mortgage (N'B)	Cash and bank deposits (N'B)
1980	17,546.80	109,963.00	121,926.00	180,986.00	195,519.00
1981	19,549.56	133,883.00	145,453.00	147,266.00	159,307.00
1982	18,219.27	131,722.00	190,389.00	217,587.00	177,173.00
1983	16,228.81	204,678.00	169,496.00	204,625.00	145,598.00
1984	16,048.31	212,234.00	199,519.00	197,919.00	196,608.00
1985	16,997.52	460,637.00	277,681.00	297,219.00	236,078.00
1986	17,007.77	822,644.00	290,626.00	279,557.00	289,018.00
1987	17,552.10	850,466.00	324,225.00	271,554.00	280,485.00
1988	18,839.55	1,301,149.00	326,049.00	1,044,620.00	534,138.00
1989	19,201.16	1,836,882.00	414,653.00	510,823.00	586,001.00
1990	21,462.73	1,852,146.00	498,160.00	511,640.00	518,209.00
1991	21,539.61	562,923.00	568,903.00	1,203,881.00	1,034,552.00
1992	22,537.10	628,882.00	987,437.00	1,250,576.00	1,603,900.00
1993	22,078.07	818.07	1,423.76	791.94	1,198.21
1994	21,676.85	784.28	1,825.38	1,200.44	1,569.95
1995	21,660.49	1,076.81	2,623.84	2,516.91	1,743.77
1996	22,568.87	1,546.16	4,047.81	2,523.20	3,347.06

1997	23,231.12	2,012.01	4,095.38	2,683.50	3,815.91
1998	23,829.76	4,145.88	3,633.17	211.95	1,993.19
1999	23,967.59	2,987.21	4,174.04	332.65	4,184.16
2000	25,169.54	3,558.95	4,992.87	282.34	3,844.37
2001	26,658.62	3,842.71	6,886.26	359.33	4,284.55
2002	30,745.19	3,752.08	8,350.85	960.31	4,095.40
2003	33,004.80	3,558.95	4,992.87	282.34	3,844.37
2004	36,057.74	8,708.00	-	351.84	6,629,257.00
2005	38,378.80	4,178.06	61,800.82	33,788.15	5,502,978.00
2006	40,703.68	4,858.10	121,813.13	45,186.77	29,590,298.00
2007	43,385.88	20,914.81	222,278.92	45,331.91	22,919,583.00
2008	46,320.01	21,333.11	226,724.50	46,238.55	26,002,348.00
2009	50,042.36	21,866.43	232,392.61	47,394.51	23,532.21
2010	54,612.26	27,740.62	274,441.50	49,225.30	25,451.20
2011	57,511.04	22,816.90	242,494.50	49,454.70	24,555.80
2012	59,929.89	67,451.60	225,023.40	193,630.50	67,833.20
2013	63,218.72	52600.9	121,485.70	115,281.30	35,542.60
2014	67,152.79	-	110,974.80	348,157.20	64,475.50
2015	69,023.93	-	145,946.50	461,012.80	71,657.60
2016	67,931.24	-	145,594.00	523,022.00	73,123.70
2017	68490.98034	68,235.25	567.00	1,510,000.39	139.62
2018	69799.94195	70,237.14	611.53	1,300,000.59	144.12
2019	71387.82667	140,000.34	953.33	1,340,000.43	191.59
2020	70014.37185	240,000.20	1,230.48	1,310,000.64	269.04
2021	72393.67344	200,000.62	1,239.63	1,440,000.35	269.40
2022	74639.46894	800,001.00	1,355.23	1,260,000.12	295.47
2023	75562.54562	723,200.23	1,456.55	1330200.25	325.25
2024	77683.56523	785,230.22	3,584.22	3220255.26	354.28
2025	81564.22354	799,658.58	532,235	5562356.77	378.47

Source: Central Bank of Nigeria (CBN) Statistical Bulletin (2025)

Data Analysis

In this section, the results from the test of the hypotheses carried out and its interpretation is presented. Data for this research was analyzed

using the Econometric Views (E-Views) version 10.1 statistical application packages.

Stationarity Tests

The result of stationarity (unit root) test is shown in the table 2 below;

Table 4.3: Results of ADF (Unit Root) Tests:

Variables	ADF t-statistics	Critical value			Order	Probability
		1%	5%	10%		

D(GDP)	-4.393331	-3.596616	-2.933158	-2.604869	I(1)	0.0168
D(GSE)	-5.647887	-3.621023	-2.943427	-2.610263	I(1)	0.0000
D(STB)	-8.241766	-3.610453	-2.938987	-2.607932	I(1)	0.0000
D(REM)	-6.404309	-3.600987	-2.935001	-2.605836	I(1)	0.0000
D(CBD)	-4.904457	-3.605593	-2.936942	-2.606857	I(1)	0.0003

The Unit root (ADF) results presented in table 4.3 above show that for all the variables Gross Domestic Product (GDP), Insurance sector's investments in Government Securities (GSE), Stocks and Bonds (STB), Real Estate and Mortgage (REM) as well as Cash and Bank Deposit (CBD), the absolute values of the ADF Test Statistics for all the study variables are relatively higher than all the associated critical values at various levels of significance (1%, 5% and 10%). Further, the variables are stationary at first difference and are consequently said to be integrated of order 1; i.e. $I(1)$. Their associated

probability values show that they are all significant at 0.05 level of significance. Since the time series data of the variables are all stationary at the ADF unit root as confirmed by the stochastic process, we now apply the Ordinary Least Squares (OLS) to estimate the slope coefficients of the autoregressive model and Johansen co-integration technique to determine the long run equilibrium relationship of the variables.

Co-integration Test Results

The results of the Johansen's Co-integration tests are presented in table below;

Table 4.4: Results of Johansen's Co-integration Tests

Date: 05/05/26 Time: 11:08				
Sample (adjusted): 1983 2025				
Included observations: 31 after adjustments				
Trend assumption: Linear deterministic trend				
Series: D(GDP) D(GSE) D(STB) D(REM) D(CBD)				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.950353	181.8711	69.81889	0.0000
At most 1 *	0.862676	88.78348	47.85613	0.0000
At most 2	0.378257	27.23563	29.79707	0.0960
At most 3	0.248720	12.50356	15.49471	0.1343
At most 4	0.110738	3.638276	3.841466	0.0565
Trace test indicates 2 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: Author's Computation using E-views 10 software

The results of Johansen's maximum likelihood co-integration above do not indicate any full-rank trend. They show that there are three co

integrating equations. This is strong evidence to suggest that there exists a long-run relationship

among the study variables. Therefore, the null hypothesis of no co-integration is rejected.

Presentation of Short run Regression Model Estimates

The results of the Short run Model are shown in table 4.5 below;

Table 4.6: Results of the Error Correction Model (ECM)

Dependent Variable: D(GDP)				
Method: Least Squares				
Date: 05/05/26 Time: 11:09				
Sample (adjusted): 1981 2025				
Included observations: 37 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1271.686	261.6999	4.859331	0.0000
D(GSE)	0.000430	0.001020	0.421458	0.6762
D(STB)	0.000715	0.002188	0.326546	0.0461
D(REM)	0.000315	0.001297	0.242584	0.0099
D(CBD)	-3.33E-05	4.39E-05	-0.757496	0.0443
ECM(-1)	-0.783326	0.136386	-1.344174	0.0020
R-squared	0.590817	Mean dependent var		5.33E+08
Adjusted R-squared	0.556718	S.D. dependent var		1.84E+09
S.E. of regression	1.84E+09	Akaike info criterion		45.61099
Sum squared resid	7.78E+19	Schwarz criterion		45.75616
Log likelihood	-589.9429	Hannan-Quinn criter.		45.65280
F-statistic	17.32673	Durbin-Watson stat		1.577742
Prob(F-statistic)	0.000022			

Source: Author's Computation using E-views 10 software

The ECM results shown in table 4 above reveal that the explanatory variables jointly account for 55.6 percent of the changes in gross domestic product (GDP) after adjusting for short run distortions as shown by the coefficient of determination (the adjusted R-squared). The Durbin-Watson statistics (1.57) is within the acceptable range. The absolute value of the ECM is 78.3 percent, showing that 78.3 percent of distortion in the long run have been corrected. It is statistically significant at 0.05 level. The goodness-of-fit of the estimated model as indicated by the F-statics indicates that the model is reasonably accurate in prediction.

Specifically, the results provide evidence that Insurance sector's investment in Stocks and Bonds (STB), Real Estate and Mortgage (REM) as

well as Cash and Bank Deposit (CBD) are all significant in explaining variations in gross domestic product (GDP), the dependent variable. On the other hand, however, insurance sector's investment in Government Securities (GSE), shows insignificant relationship with the dependent variable, gross domestic product. The probability estimates of the relationship between Insurance sector's investment in Stocks and Bonds (STB), Real Estate and Mortgage (REM) as well as Cash and Bank Deposit (CBD) and gross domestic product (GDP), the dependent variable are 0.0461, 0.0099 and 0.0443 respectively. These figures are less than 0.05 level of significance showing evidence of significant relationship between each of the predictor variables and the criterion variable.

On the other hand, the probability estimate of the relationship between Insurance sector's investments in Government Securities (GSE) and gross domestic product is 0.6762. The probability estimate is greater than our preferred level of significance, (0.05) indicating an insignificant relationship.

Discussion of Findings

Table 2 represent results from Augmented Dickey Fuller test (ADF) which shows that the variables are all negative and the null hypotheses rejected. Therefore, Gross Domestic Product (GDP), a proxy for economic growth which constitutes the dependent variable, Insurance sector's investment in Government Securities (GSE), Stocks and Bonds (STB), Real Estate and Mortgage (REM) as well as Cash and Bank Deposit (CBD) are all stationary after first differencing and integrated series of order I(1). The ordinary least square (OLS) regression results show the relationship between the observed dependent variables and explanatory variables predicted by the linear function. The objective of this study is to examine how insurance investment components enhance Nigerian economic growth. To enable insurance companies, strategize more in their investment portfolio. Economic growth proxy by Gross Domestic Product (RGDP). For insurance performance, the result is in conformity with our expectation. Investments in Stocks and Bonds, Real Estates and Mortgage reveal positive and significant relationship while an insignificant relationship is revealed in investments in government securities. This means that investment in Government securities does not contribute to profit maximization in term of insurance corporate performance. Cash and Bank Deposit show negative but significant relationship. This means that investment in cash/bank deposit though negative but present significant contribution to profit maximization in term of insurance performance.

Table 5 represents the cointegration test results. The result shows that a long-run relationship exists between economic growth,

insurance performance and insurance investment components. A major factor positively influencing investment in various assets by the insurance companies has been availability of investible funds. The coefficients of the measures of funds availability adopted for the study are, for most regressions, significantly different from zero and have the correct, positive a priori signs. Asset holdings by both the non-life and the combined life and non-life companies are also significantly influenced by previous levels of holdings of assets, especially with regard to holdings of stocks, shares and bonds as well as cash and bills receivable. Of importance too is the interest rate variable. In most of the regressions in most studies, the coefficient of the interest rate variable is negative, suggesting perhaps that the prevailing low interest rates in the country, especially during the sample period, have some disincentive effects on insurance company investments. However, government regulatory legislations for the insurance industry have not had a significantly constraining influence on investments by insurance companies, except in the isolated case of investments in cash and bills receivable by the combined life and non-life companies.

Summary, Conclusions and Recommendations

Summary

This study investigated the relationship between insurance investment and economic growth in Nigeria, which have been of considerable interest to the public, researchers, investors and financial analysts who are also interested to know how the proceeds from insurance investment influences insurance profitability in term of performance. Therefore, related literatures were reviewed and theories such as Solow model in neo-classical growth model among others were stated. Secondary series data from CBN statistical bulletin were presented in their absolute form and results analyzed using multiple linear regression analysis. In summary therefore, based on the statistical test or analysis of data collected for the research study, the results revealed thus;

- There is a positive but insignificant relationship between Insurance sector's investments in Government Securities and gross domestic product during the study period.
- There is a positive and significant relationship between insurance sector's investments in stocks and bonds and gross domestic product in Nigeria during the study period.
- There is a positive and significant relationship between insurance sector's investments in real estates and mortgage and gross domestic product in Nigeria during the study period.
- There is a negative but significant relationship between Insurance sector's investments in Cash and Bank Deposits and Gross Domestic Product in Nigeria during the study period

Conclusion

Considering the findings of this study, it was concluded that there is no significant relationship between government securities, real estate and mortgage and Insurance performance. This implies that proceeds from insurance companies' investment components do not influence or improve insurance profitability in term of performance and may not be useful for insurance profitability improvement. There is a positive insignificant relationship between Stock and Bonds, cash and bank deposits and Insurance performance within the period under study. This implies that insurance investment in stocks and bonds and cash and bank deposits may be useful for insurance profitability enhancement. This study also concludes that there is a significant relationship between stock and bonds, cash and bank deposits and the Nigerian economic growth.

This implies that insurance investment components stock and bonds and cash bank deposits do contribute to economic growth in Nigeria and may be useful in growing the economy. But government securities and real estate and mortgage present inverse relationship

to the Nigerian economic growth within the period under study. It was further observed that only short-term investment components contributions to Nigerian economic growth and insignificantly improves insurance companies' profitability.

Recommendations

This study recommends the following;

- 1) Insurance companies in Nigeria should increase their investments real estates and mortgages, stock and bond and cash/bank deposits for more feasible influence to the Nigerian economic growth.
- 2) To increase insurance business awareness and to promote confidence in insurance sector for possible investment gain, insurers should be honest and be prompt in claims settlement when losses occur. The Nigeria government should also enact laws to assist the insurance business to promote confidence and boost public trust.
- 3) There is need for a review of the relevant insurance statutes and regulations on minimum and maximum amount of investment in certain classes of assets to make suitable deregulated insurance sector.
- 4) Insurance companies' being an institutional investor and professional money managers, should always apply the basic principle of investment decisions and act with prudence, discretion, intelligence, and regard for the safety of capital as well as profit maximization in line with investment strategies.

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