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Effect of Consolidation of the Nigerian Insurance Industry on the Growth of the Nigerian Economy (1996-2018)

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Abstract: *This study examined the effect of consolidation of the Nigerian insurance industry on the growth of the economy. The main problem of this study is that insurance industry in Nigeria has not been able to mobilize the needed long term funds for economic development. This is because people are skeptical about insurance operations in Nigeria. They have poor brand perception of insurance in Nigeria and inadequate funding for investment purposes. The main objective of this study is to examine the contributions of the consolidation of the Nigeria Insurance Industry on economic growth. The study used secondary data collected from CBN Statistical Bulletin and subjected them to Augmented Dickey Fuller unit root test to capture the stationarity of the employed variables. Johansen co-integration test was used to ascertain the long run association among the variables under investigation and Ordinary Least Square regression to ascertain the relationship existing between the explained and explanatory variables. The result of the study shows that there exist a positive and significant relationship between the insurance premium, total assets, insurance investment and gross domestic product. The study therefore concludes that consolidation of Insurance Industry has contributed significantly to the growth of Nigerian economy and hence recommends that National Insurance Commission NAICOM, need to create a competitive environment which leads to branding activities, increased investment and better public awareness of the benefits of insurance to society at large.*

Keywords: *Premium, contract, branding*

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I. Introduction

Non-bank financial intermediaries (NBFIs) such as the insurance companies have over the years played important roles in enhancing the efficient functioning of the financial system. These financial institutions issue and sell indirect securities to the surplus units of the economy and consequently, purchase other securities, which are primary in nature, from the ultimate borrowers of those funds. The size of funds held by the insurance industry in Nigeria represents a reasonable percentage of the country's total investments in capital market. These investments in capital market serves as a shield for insurance against predictable underwriting losses which are more prominent than profits (Agwuegbo, 2010).

Fatula (2007) explains that insurance business in Nigeria has played a significant role in the development of the economy and the managing risk of households and firms by the issuance of insurance policy, mobilizing and transferring fund to the deficit unit for financial real estate investment.

Government reforms in the insurance industry through the process of recapitalization and consolidation are to restore confidence of the public in the market and enhance international competitiveness of local operators. Consequently, the principal objective of the reforms are to have the emergence of bigger and stronger players in the industry with enhanced capacity. The Nigerian insurers in time past, had operated on marginal scale and that accounted for why the market had not benefited much, especially in the oil and energy business. The country is much more likely to experience sustained growth if her insurance market develops properly. Insurance market development is related to improve financial sector performance and insurance markets do not develop adequately without both public and private sector development in their infrastructure.

Statement of the Problem

The Nigerian insurance industry has witnessed a slow pace of growth. Thus as opines by Oluoma (2010), several factors have been advocated for this lack of growth in the Nigerian economy and among such notable factors is inadequate funding for investment purposes which have limited insurance penetration in the economy.

The major role of an economy's financial sector is helping to channel resources from surplus units to the deficit units for investment. Therefore, the financial sector improves the screening of fund seekers and monitoring of the recipients of funds, thus improving resource allocation, mobilizes savings, lowers cost of capital via economies of scale and specialization, provides risk management and liquidity. Insurance industry could play a major role in these functions if properly managed thus, supporting economic growth. However, in Nigeria based on the nations experience of stunted growth. the insurance sector has not actually contributed meaningfully in its role of effectively mobilizing funds for productive investment which could lead to growth; as seen in the empirical findings of Eze and Okoye (2013).

The major functionality of the insurance on the client side is risk transfer. Usually the insured pays a premium and is secured against a specific uncertainty. By reducing uncertainty and volatility, insurance companies smoothen the economic cycle and reduce the impact of crises situations on the micro and aggregate macro level. However, the demand for protection against loss of life and property caused by natural disaster, crime, violence, accidents, are not so demanded in Nigeria thus the purchase, possession and sale of goods, assets and services which are often facilitated by the indemnification of the insurance thereby enhancing growth.

There is a problem of poor insurance assets. Insurance Industry are not able to own physical and financial property. Physical properties like buildings, land, furniture, equipment and the bulk of its assets are financial like reserves, premium, investment securities and savings with banks.

Objectives of the Study

The main objective of the study is to examine the contributions of consolidation of Nigerian Insurance Industry on the growth of National economy. The specific objectives include to:

1. Examine how Insurance Gross Premium influences Gross Domestic Product.
2. Ascertain the significant relationship between Insurance Investment and Gross Domestic Product in Nigeria during the period under review.
3. Assess whether an increase in Insurance Assets enhances Gross Domestic Product.

Research Questions

In view of the nature of this study, the following research questions are formulated:

1. How significant will change in Insurance Premium stimulate Gross Domestic Product?
2. What is the extent of relationship between insurance investment and rate of GDP in Nigeria?
3. How does increase in Insurance Assets enhance the Gross Domestic Product?

Research Hypotheses

HO_1: There is no significant relationship between Insurance Premium and Gross Domestic Product.

HO_2: There is no significant relationship between Insurance Investment and the Gross Domestic Product in Nigeria for the period under review.

HO_3: There is no significant relationship between increased Insurance Assets and Gross Domestic Product.

II. Material and Methods

2.1 Conceptual Framework

Insurance is an essential element in the operation of most national economics throughout the world today. Without insurance coverage, the private commercial sector would be unable to function. Insurance enables businesses to operate in a cost effective manner by providing risk transfer mechanism whereby risks associated with business activities are assumed by third parties .

Nduka (2002) posits that insurance is a system for transferring the responsibility of paying for losses from one party to another. The importance of insurance in modern economics is unquestioned and has been recognized for centuries. Insurance "is partially a necessity to business activities and enterprise". Insurance is also a series of board public interest far beyond its role in business affairs and this protection for a large part of the countries wealth. It is the essential means by which the disaster to an individual is shared by other communities great catastrophes are thereby lessened, and it may be repaired .

Consolidation and the Nigeria's Insurance Industry

An overview the first Insurance business in Nigeria, the Royal exchange Assurance Company Ltd was established in Lagos in 1921. This company enjoyed the monopoly of insurance business for almost 30yrs before two other British Insurance companies entered market in 1949, Kassim (2006) reported that by 1960, the number of insurance companies had increased to 25 within these period, the industry was free from any form of government regulations as a result of its domination by the expatriates who colonized the country. The only national law of considerable significances on the insurance was the motor vehicles (third party) act of 1958. Which the marine insurance Act of 1961, the insurance company act of 1961 and the insurance (miscellaneous provision) Act of 1964 the regulation of insurance industry began in Nigeria.

In 1968, promulgation of Nigeria's insurance decree which introduced some stringent measures to curtail the unethical practices in the industry. The paid up capital of insurance companies operating in the country was raised to N100,000 (for all those transacting all classes of insurance business) and N50,000 (for all those concerned with only life insurance.

There followed some periodic regulations that were aimed at sanitizing the operations of insurance service providers. By June 2005, the Federal Government initiated the recapitalization in the insurance sector which is aimed at resuscitating the industry for a more vibrant position. The exercise sought a higher level of financial strength for the insurance companies to be able to undertake bigger risks in the eyes of the insuring public. The policy requires that all insurance companies should as a matter of necessity, store up their minimum capital base from Nl50m, N200m,to N2bn, 3bn, and N10bn respectively.

By Nov. 14, 2007, the National Insurance Commission (NAICOM) released the list of 48 insurance companies and one re-insurance company that have crossed the consolidation hurdle. In August, 2008, the commission also re-issued the licenses of Nicon, Insurance plc and Nigeria Re-insurance Corporation to bring the number of companies to 51. At present the composition of the operating firms in the industry include two re-insurance companies, twenty- seven insurance companies and 19 composite insurance companies.

The 2007 and 2008 could be described as years of abundance for the companies, following their successes recorded in their wealth.

Unfortunately, the harsh global realities of the periods made it $_f$ impossible for them to utilize their acquire wealth. However, major events that trailed the recapitalization which had continued to transform the sector can be analyzed in different perceptive judging from their portfolio capitalization return to shareholders, branch expansion, product development, human capital, impacts of statutory policies as well as other challenges.

During the exercise, about $600m came into the sector as direct foreign investment through the Nigerian stock exchange. This was unprecedented in the annals of insurance operation in Nigeria. More benefits are expected to be reaped in the course of the consolidation exercise.

Appraisal of Performance of Nigerian Insurance Industry

According to Oyelade (2014); the insurance sector is a major composite of the global financial system. However, in Nigeria, the sector is faced with lots of potentials an opportunity amidst surmountable challenges. The industry over the years, has sauntered from being an ill-perceived sector to one beginning to acquire a dominant role within the purview of the Federal Government of Nigeria's vision 20:20: 20.

The Nigerian Government envisions an insurance industry that will rank amongst the twenty largest markets in the world by the year 2020 (though Nigeria is currently ranked 60 in the world). The Government has however, undertaken some certain steps and measures towards actualizing this objective, particularly the strengthening of the National insurance commission (NAICOM) which derives its regulatory powers from the National insurance commission Act 1997 and the insurance Act of 2003. Section 86 of the insurance Act empowers NAICOM amongst other numerous powers to be responsible of the Act."

The section further empowers NAICOM to register insurance companies and to increase the amount of minimum share capital requirement as circumstances may demand.

Another important legislation for the regulation of the insurance industry in Nigeria is the Nigerian council of registered insurance Brokers Act of 2003, which established the Nigerian council of registered insurance Brokers as the umbrella association of all registered insurance brokers. The Act requires that any insurance broker is statutorily registered by the council before it can be licensed to operate by the National insurance commission. Being a financial sector operator, the industry is also regulated by other registrations governing financial transactions especially, the Anti-money laundering laws.

In another view, the Nigerian insurance market has undergone substantial structure and regulatory changes following market intervention and the evolution of Nigeria's financial sector in the last decade. From a largely fragmented operating environment characterized by a weak and almost nonexistent regulatory framework, the industry consists of 49 players (down from 104 in 2006, prior to the consolidation in the industry). The contract in the number of industry only for higher underwriting but also the ability to settle larger claims. The consolidation in the industry brought about the emergence of longer insurance forms with technical capabilities to take advantages of economics of scale. Insurance. Industry market consolidation and capitalization rose to N278.4 billion from a pre-consolidation level of N73.7 billion.

Opportunities of the Nigerian Insurance Industry.

According to Oyelade (2014); the insurance industry in Nigeria has begun to witness a lot of emerging opportunities on the back of current Government legislation which has supported the prospects of growth in the industry. This legislation has triggered strategic mergers and acquisitions, interests from foreign investors as well as increases in competition and standard amongst players in the industry.

Most importantly, the less than one percent market penetration in the insurance sector of Africa's most populous nation presents huge market potential and growth opportunity which local and foreign investors are finding too attractive to ignore. Thus can, however, be confirmed by the recent entry into the sector by big global insurers from South Africa, Europe and the UK. For instance, old mutual an Anglo-South African financial conglomerate acquired oceanic insurance limited, which was adjudged insolvent by the market regulator.

Consequently, investment opportunities in the insurance sector are hinged on:

- Nigeria's projected population to reach 185 million mark in 2015 and 221 million by 2025. These constitute a massive market base for insurance players.
- Emerging opportunities in the ongoing power sector privatization exercise
- NAICOM's determination at ensuring the removal of any inhibitions to local insurers' participation in the oil and Gas business as well as facilitating local risk retention of the energy sector's insurance policies.
- The implementation of compulsory insurance covers in Nigeria, Namely:
- The third party motor insurance. This is provided for by section 68 of the insurance Act, 2003.
- The statutory Group life insurance as stipulated by section 9(3) of the pension Reform Act, 2004.
- Employees compensation as stipulated by section 33 of the employee's compensation Act, 2010.
- The occupier's liability insurance made mandatory by section 65 of the insurance Act, 2003.
- Health care professional indemnity insurance mandatory provided for by section 45 of the National Health insurance Act, 1999.

Oyelade (2014); contends that, investment opportunities in the insurance sector have not completely shaken-off the challenges facing the industry in the past years, particularly losses suffered from the 2008 financial crisis as their investment value in the equities market which constitute a large portion of their total investment was significantly eroded. However, past and current reforms and liberalization efforts by the Nigerian Government have given the sector a glimmer of hope as the sector has begun to witness some positive changes.

They have given rise to the emergence of big players and foreign portfolio investor's (FPLs) interest in the sector. However, to appreciate the opportunities and challenges in the insurance sector, let's carry out a "SWOT analysis" of the industry.

Environmental Factors Affecting Insurance Market in Nigeria

No firm can afford to ignore the changing times. An organization's performance in the market place is a matter of the degree of alignment between the organization's environmental opportunities, objectives, marketing strategy, organizational structure and management systems. (Kotler, 1980).

Indeed, the changing face of the financial services is occasioned by the changes in the economy.

The changes almost always occur sequel to government policy changes, the dynamic environment, consumer sophistication, technological changes and social reactions etc. These changes may manifest as threats, challenges and opportunities requiring integrated management approach to critically analyse the environment, identifying the environmental threats and opportunities and designing adequate measures to adapt to the environmental changes. We will approach these environmental factors from the following perspectives as they relate to the insurance market in Nigeria.

Theory of perfect Competition.

The theory of perfect competition as propounded by Adam Smith is a market structure in which all firms sell an identical product, all firms are price takers, have a relatively small market share and buyers have complete information about the product being sold and the prices charged by each firm, there is free entry and free exit. theoretically, the concept of insurance can be linked with the theory of perfect competition. The fundamental basis of insurance operations lies with the assumption that buyers and sellers of insurance coverage have perfect information about each other before signing an insurance contract. While it can be argued, that this assumption may not be tenable in real world, the effects of information asymmetry can be organized in accordance with the temporal appearance of participants before an insurance contract is signed. This will give the consumer (the buyer of insurance coverage) the ability to evaluate all competiting products within a perfectly competitive market situation. Consequently, the consumer may act as both a creditor (paying the premium) to the insurer, and as a debtor (by paying in advance for future conditional payments). These dualistic characterization of signed contract makes the insurer's default probability highly relevant to product quality. In their writings, Doherty and Gauvent (1986) carefully examine the issue of insolvency in insurance market. They opined that a fully informed customer will take insolvency risk into consideration and accept insolvency risk only with a premium discount. Also, Wakker, Thaler and Tversky (1997) show the effect of small insolvency risks on insurance premium in which they posited that due to information asymmetry, the ruin probability is not totally known to the customer before signing a contract. Similar position was held by Akerlof (1970), Rothschild and Stiglitz (1976). Consequently, consumers are not able to judge any important quality aspect of the insurance product at the point of purchase. This asymmetry information can lead to adverse selection of insurance companies which is capable of preventing deals from taking place.

Accordingly, Greenwald and Stiglitz (1986), Eric and Stephen (2004) posited that when imperfect information exists in the market, benefits from insurance cover are not constrained in a pareto efficient state. In economics, imperfect information as pecuniary externalizes have real welfare consequences. In traditional term, these pecuniary externalities were ignored by economist because one person's loss through market activities is another persons gain which will ultimately resulted in a no welfare net loss.

However, with imperfect information ,this result does not hold in reality. this is because, the fact that insurance firms can only partially screen high risk from low risk applicants which can imply that the low risk applicants are penalized by higher premiums. In the event of imperfect information, the result of the market place are pareto efficient. However, the ability of government to improve on the situation by inducing a pareto-improving exchanges depends on the volume and quality of information available. According to Stiglitz (2000), the results change the nature of analysis and can justify government intervention in the market. At times the government may be able to improve on the market outcome because of information constraints.

On the contrary, if a contract make it possible for at least one parties to change behaviour during the contract period, moral hazards are likely to occur. Arrow(1971) attempt to model moral hazard in the insurance market in which he posited that the hidden action problems arises when action of one party to a contract are not immediately observable by other(s). On the whole, insurance contracts are vulnerable to moral hazard from insurance company's management because insurers are able to change their behaviours after signing the contracts in a way that goes unnoticed by the insured. Menton(1974,1977) has argued that an increase in corporate risk such as asset volatility, will increase the value of the call option, leading to moral hazard which will consequently cause some significant market distortions. These distortions are corrected with some appropriate policy reforms -predicted upon the need for re-orientation and repositioning of insurance markets so as to attain an effective and efficient state. While several authors like Rees, Gravelle and Wambachi (1999) and Spancer (1974) have argued in favour of reforms as providing reliable signal through the regulatory agencies of government, others like Benson(2000) disputed the necessity of ex-ante government regulations, arguing that insurance customers basically do face the same information conditions as do buyers of other consumption goods, and a self regulation will likely occur as competitors of insurance services can differentiate from each other product quality through information.

Empirical Review

Empirically, results obtained from the consolidation of insurance companies around the world have been mixed. While insurance consolidation exercises enhanced growth and development in some countries, its outcome in other countries is that of under development. For example in European insurance industry; Cummins and Weiss (2004); and Darutyan and Jim (2015) both researched on the consolidation in the European Insurance Industry. Cummins and Weiss found out a small negative effect on the economy while Davutyan found significant increase.

Akinola and Aparisile (2014) researched on the relationship between insurance and economic growth in sub-Saharan Africa, using Econometrics and fixed effect model concludes that insurance has positive and significant impact on economic growth in sub-saharan Africa.

Onuorah and Anyaogu (2013), researched on insurance consolidation and the growth of the Nigerian economy between the period 1990-2012. The general objective of the study is to examine the impact of insurance consolidation on economic growth in Nigeria and was analyzed using some econometric modeling test. The results of the study revealed that the components of insurance consolidation were positively and significantly correlated with GDP growth in Nigeria. The VEC model confirmed short term and long term co-integration between insurance consolidation and economic growth in Nigeria. The Granger casualty test revealed a dual casualty between the overall variables and economic growth. They concludes that the trend of macroeconomic variables were stable over the years and that Government should embark on more realistic Insurance policy implementation for faster economic growth in Nigeria.

Yusuf (2011), carried out on evaluation of the impact of the consolidation of insurance companies on economic growth and development in Nigeria. The main objective is to evaluate the impact of the insurance company's consolidation on the Gross Domestic product (GDP) in Nigeria. The econometric technique method of analysis was used and econometric model was based on capital assets pricing model (CAMP). This results show that the gross domestic product (GDP) of the economy would increase by about 55 percent variation for a unit change in the consolidation policy, while holding other economic variables constant. He concludes that to achieve intermediate and long term economic aspirations to make Nigeria among the 20th most industralized countries of the world (FSS 2020), effects should be directed to develop a modern, well structured, efficient and competitive Insurance sub-sector that caters for the long term needs of the economy.

Amachi (2011), carried out an the impact of consolidation on the performance of the industry in Nigeria using PHB and NICON insurance plc as case studies. The main objective is to evaluate the achievement of the companies in the consolidation. He used analysis of variance (ANOVA) statistical tool. This results shows that consolidation of the insurance industry has increased the sectors underwriting capacity and profitability. He recommends that authorities involved in the consolidation exercise should ensure that assets quoted by the compainies meets the requirements ,sustenance of these consolidations and proper monitoring of the industry to ensure positive growth in the economy.

Oke (2012), used fixed model and co-integration analysis to determine the short run &long run relationship between economic growth and insurance sector growth and development in Nigeria. The study spans from the period of 1986 to 2009. The result reveals that insurance sector growth and development positively & significantly affects economic growth.

Shittu (2012), carried out a study on financial intermediation and economic growth in Nigeria, 1970-2010 using unit root, co-integression, error correction model (ECM) and Engle - Granger casualty test. He finds out that financial intermediation have significant impact on the growth of Nigerian economy.

Research Design

This research anchors on an ex-post factor design. This is considered appropriate since it deals with pre-published data. Thus, the study employ *Ex-post facto* research design which means the study are carried out after the facts had been known or the events had taken place (Anyawu, 2000).

Source of Data

Data was collected from secondary sources of CBN statistical bulletin of 1996-2018.

Area of the Study

The study will focus on the predictive interaction between Gross Domestic Product (GDP) representing dependent variable against selected yardsticks of performance on the insurance industry (Gross premium income, Insurance investment and Total Assets) all representing independent variables.

Data analysis and presentation

Data was analyzed using Descriptive statistics to examine if the series are normally distributed. Unit root test was used to capture the stationarity of the variables, Johasen co-integration test was used to ascertain the long run association among the variables and Ordinary Least Square regression was used to ascertain the relationship existing between the dependent and independent variables.

Model Specification

The following models are used on the study.

GDP = F(GPI + II + TA)

Economic model specification

$GDP= b_0 + b_1GPI + b_2II + b_3TA + \mu$

Where:

GPD = Gross Domestic Product

GPI = Gross Premium Income

II = Insurance Investment

TA = Total Asset

B_0 = constant or intercept

B_1 – b3 =Parameters to be estimated

μ= stochastic error term

In standard notations, the model specification takes the form.

$Y = b_0+b_1x_1+b_2x_2+b_3x_3+\mu$

Note, The parameter estimates and the analysis are carried out using the E-views statistical package which ensures accuracy

III. Results

From table 4.1 below, the real gross domestic product (RGDP) which is in column two (2) is the dependent variable, while column three (3) to five (5) are the independent variables in Gross Insurance Premium (GIP), Total Asset (TA) and Insurance Investment (II), the values are in billions of Naira.

Table 4.1: Nigerian Insurance Data used for the study (1996-2018)

YEARS	RGDP (#'N)	GPI (#'N)	TA (#'N)	II (#'N)
1996	21,177,920.91	13,150.60	28,934.90	12,379.50
1997	21,789,097.84	16,519.00	37,928.20	13,613.10
1998	22,332,866.90	17,846.50	41,451.20	15,656.90
1999	22,449,409.72	14,643.90	50,131.70	21,583.50
2000	23,688,280.33	22,531.50	61,600.00	25,192.60
2001	25,267,542.02	28,981.30	78,060.50	32,157.30
2002	28,957,710.24	37,765.90	85,255.70	36,940.90
2003	31,709,447.39	43,944.70	124,267.40	54,642.80
2004	35,020,549.08	50,495.90	141,222.00	74,590.80
2005	37,474,949.16	67,746.30	203,113.10	121,844.20
2006	39,995,504.55	82,361.90	307,542.60	216,359.90
2007	42,922,407.93	105,379.30	427,497.20	329,247.90
2008	46,012,515.31	157,206.00	573,154.50	336,491.40
2009	49,856,099.08	189,960.50	586,459.50	343,894.20
2010	54,612,264.18	200,376.00	585,015.80	351,459.90
2011	57,511,041.77	233,752.90	621,095.10	359,192.00
2012	59,929,893.04	251,822.20	632,159.10	366,813.10
2013	63,218,721.73	273,718.40	649,476.90	374,462.00
2014	67,152,785.84	295,614.60	666,794.70	382,110.90
2015	69,023,929.94	317,510.80	684,112.50	389,759.80
2016	67,931,235.93	356,592.70	740,453.60	490,225.30
2017	69,785,678.65	366,345.81	801,247.81	520,479.45
2018	73,678,901.21	373,245.45	867,321.42	531,356.13

Source: CBN statistic bulletin (various issues)

Test of Hypotheses

Test of Hypothesis One (1)

H_{O1}: There is no significant relationship between insurance premium and Gross Domestic Product.

H_{A1}: There is a significant relationship between insurance premium and Gross Domestic Product.

Table 4.2: Regression result for Insurance Premium and RGDP

Dependent Variable: LOG(RGDP)				
Method: Least Squares				
Date: 05/31/18 Time: 16:47				
Sample: 1996 2018				
Included observations: 23				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(GIP)	0.366720	0.008730	42.00656	0.0000
C	13.34440	0.098864	134.9772	0.0000
R-squared	0.989347	Mean dependent var		17.47677
Adjusted R-squared	0.988786	S.D. dependent var		0.425314
S.E. of regression	0.045038	Akaike info criterion		-3.272215
Sum squared resid	0.038541	Schwarz criterion		-3.172736
Log likelihood	36.35826	Hannan-Quinn criter.		-3.250625
F-statistic	1764.551	Durbin-Watson stat		2.149238
Prob(F-statistic)	0.000000			

Source: Computation by author using E-view 9.5

The estimated regression result in table 4.6 indicate that during the period under study, the regressand or the dependent variable Y (RGDP) in the period under study responded to changes in the independent (regressor) variable, GIP. At the intercept (constant) of the regression model the dependent variable Y has a value of 13.34440, when GIP is equal to zero (0). However, if GIP is increased by 1% the dependent variable Y will increase by 0.366720%. The estimated result and sign of the beta coefficient of the regressor (GIP) behaved in a manner consistent with economic theory. From the observed value of R-square which is 0.989347% and Adjusted R-square of 0.988786%, it can be inferred that there is a very high relationship between GDP and GIP of the model. This model provides a good fit as over 98.9% of the changes in Y was accounted for by changes in GIP. The result also shows that, relationship between the regressand and the regressor is strong. The high F-statistics of 1764.551 shows that the model is significant above the 5% and 10% level thus showing the overall impact of GIP on economic growth in RGDP. The T-statistics of 42.00656 is also high and shows p-value of 0.0000. The low standard error of 0.008730 further confirms the strength and the predictive power of the beta coefficient. Generally, from all angle GIP as a regressor have positive and significant relationship with RGDP (Y) in the period under study. Thus, the null hypothesis statement of no significant relationship between insurance premium and Gross Domestic Product is rejected thereby accepting the alternative hypothesis that states that there is a significant relationship between insurance premium and Gross Domestic Product.

Hypothesis Two

H_{O2}: There is no significant relationship between Insurance Investment and the Gross Domestic Product in Nigeria.

H_{A2}: There is a significant relationship between Insurance Investment and the Gross Domestic Product in Nigeria.

Table 4.3: Regression result for Insurance Investment and RGDP

Dependent Variable: LOG(RGDP)				
Method: Least Squares				
Date: 05/31/18 Time: 17:01				
Sample: 1996 2018				
Included observations: 23				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(II)	0.304535	0.018671	16.31050	0.0000
C	13.93909	0.218285	63.85733	0.0000
R-squared	0.933341	Mean dependent var		17.47677
Adjusted R-squared	0.929833	S.D. dependent var		0.425314
S.E. of regression	0.112662	Akaike info criterion		-1.438455
Sum squared resid	0.241162	Schwarz criterion		-1.338977
Log likelihood	17.10378	Hannan-Quinn criter.		-1.416866
F-statistic	266.0323	Durbin-Watson stat		2.304566
Prob(F-statistic)	0.000000			

Source: Computation by author using E-view 9.5

The hypothesis two (2) estimated regression result in table 4.7 indicate that during the period under study, the regressand or the dependent variable Y (RGDP) in the period under study responded to changes in the independent (regressor) variable, Insurance Investment (II). At the intercept (constant) of the regression model the dependent variable Y has a value of 13.93909, when II is equal to zero (0). However, if II is increased by 1% the dependent variable Y will increase by 2.304535%. The estimated result and sign of the beta coefficient of the regressor (II) behaved in a manner consistent with economic theory. From the observed value of R-square which is 0.933341% and Adjusted R-square of 0.929833%, it can be inferred that there is a very high relationship between GDP and II of the model. This model provides a good fit as over 93.3% of the changes in Y was accounted for by changes in II. The result also shows that, relationship between the regressand and the regressor is strong.

Hypothesis Three

H_{O3}: There is no significant relationship between increased Insurance Assets and Gross Domestic Product.

H_{A3}: There is a significant relationship between increased Insurance Assets and Gross Domestic Product.

Table 4.4: Regression result for Total Investment and RGDP

Dependent Variable: LOG(RGDP)		
Method: Least Squares		
Date: 11/31/19 Time: 17:04		

Sample: 1996 2018				
Included observations: 23				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TA)	0.357097	0.018352	19.45868	0.0000
C	13.09653	0.226065	57.93268	0.0000
R-squared	0.952218	Mean dependent var		17.47677
Adjusted R-squared	0.949703	S.D. dependent var		0.425314
S.E. of regression	0.095385	Akaike info criterion		-1.771401
Sum squared resid	0.172867	Schwarz criterion		-1.671922
Log likelihood	20.59971	Hannan-Quinn criter.		-1.749811
F-statistic	378.6402	Durbin-Watson stat		2.358637
Prob(F-statistic)	0.000000			

Source: Computation by author using E-view 9.5

The hypothesis three (3) estimated regression result in table 4.8 indicate that during the period under study, the regressand or the dependent variable Y (RGDP) in the period under study responded to changes in the independent (regressor) variable, Total Assets (TA). At the intercept (constant) of the regression model the dependent variable Y has a value of 13.09653, when TA is equal to zero (0). However, if TA is increased by 1% the dependent variable Y will increase by 2.357097%. The estimated result and sign of the beta coefficient of the regressor (TA) behaved in a manner consistent with economic theory. From the observed value of R-square which is 0.952218% and Adjusted R-square of 0.949703%, it can be inferred that there is a very high relationship between GDP and TA of the model. This model provides a good fit as over 95.2% of the changes in Y was accounted for by changes in TA. The result also shows that, relationship between the regressand and the regressor is strong. The high F-statistics of 378.6402 shows that the model is significant above the 5% and 10% level thus showing the overall impact of TA on economic growth in RGDP. The T-statistics of 19.45868 is also high and shows p-value of 0.0000.

IV. Discussion

From the above analysis, it was established within the framework of this study that (GIP) exhibit a significant P-value of 0.0000 and a corresponding positive coefficient of 2.366720 which suggest that there exists a positive and significant relationship between the premium income of the insurance industry and economic growth in Nigeria. The economic implication of this is that the recent consolidation in the insurance industry seems to be productive in the Nigerian context and thus promote the insurance services in the country. The report of this finding is in consonant with the empirical findings of Eze and Okoye (2013) whose study suggests that insurance premium is a key stimulus to economic growth and thus cushion the insurance industry investment accordingly.

V. Conclusion

This study investigated the contributions of consolidation of Nigerian insurance industry on the growth of National economy between 1996 to 2016. 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 a provider of risk transfer and indemnification, may promote growth by allowing different risks to be managed more efficiently through promoting long term savings, encouraging the accumulation of capital, serving as a conduit pipe to channeling funds from policy holder to investment opportunities as well as mobilizing domestic savings into productive investment. Insurance is an indispensible aspect of a nations financial system and theoretical conceptions explain that financial systems influence savings and investment decisions through lowering the cost of researching potential investments, exerting corporate governance, trading, diversification and management of risk, mobilization and pooling of savings, conducting exchange of goods and services and mitigating the negative consequences that random shocks can have on the economy.

To some extent though the contributive role the insurance industry are skeptical in buzzing insurance products across the length and breadth of the Nigerian economy, they have not been able to mobilize the needed long term fund, this has cushion lack of public confidence on the insurance product.

However, in line with the report from the estimating tools employed in the process of research, the study therefore conclude that consolidation in the insurance industry has contributed significantly to the growth of Nigerian economy.

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