Global Journal of Finance and Business Review | *ISSN 1694-450X*
Published by AIR JOURNALS | *https://airjournal.org/gjfbr*
16/18 Avenue des Longaniers, Quatre Bornes, Mauritius
airjournals@gmail.com; enquiry@airjournal.org

RESEARCH ARTICLE

Corporate Governance Costs and Premium Mobilization of Insurance Firms in Nigeria

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Accepted: June 21st, 2023	Published: June 26th, 2023

Citations - APA

Aneke, O. N. & Nwankwo, C. N. (2023). Corporate Governance Costs and Premium Mobilization of Insurance Firms in Nigeria. *Global Journal of Finance and Business Review, 6(2), 16-32. DOI: https://doi.org/10.5281/zenodo.8085798*

ABSTRACT

The study examined corporate governance costs and premium mobilization of insurance firms in Nigeria. The specific objectives of the study are, to ascertain the relationship between, board remuneration, audit fee and annual general meeting expenses with gross premium income of insurance firms in Nigeria. The sample consists of five (5) insurance firms listed on Nigeria Exchange Group during 2011-2020 periods. The secondary data extracted from the annual reports and financial statements of the selected firms were analyzed using descriptive statistics, multiple regression and correlation analysis. Findings from the analysis indicate that the relationship between board remuneration and annual general meeting expenses with gross premium income of the selected insurance firms is positive and weak while the relationship between audit fee with gross premium income is positive and statistically strong. The implication of these findings is that as board remuneration, audit fee and annual general meeting expenses are increasing, gross premium income of the firms also increases and vice versa. Based on these findings, the study recommended that the insurance firms should improve their board remuneration to enhance their gross premium income. This can be achieved by appointing board members with the requisite qualification and experience who will contribute meaningfully in the policy formulation and strategic planning of the insurance firms, thereby improving the gross premium and financial performance of the insurance firms. It was also recommended that the insurance firms should appoint well qualified, experienced and independent audit firms that will deliver high quality audit work to improve internal control and financial performance of the firms. It was finally recommended that the insurance firms should hold their annual general meetings as at and when due so that important issues requiring stakeholders' attention will be identified and treated promptly. Regular annual general meetings will invariably increase the annual general meeting expenses, but as indicated in the findings of the study it will translate to high stakeholders' engagement and eventually improve the gross premium income and other financial performances of the firms.

Keywords: *Corporate Governance Costs; Premium Mobilization; Insurance Firms in Nigeria*

Introduction

The scandalous collapse of world giant firms such as Enron, WorldCom and Rahman Brothers attracted attention towards corporate governance effectiveness in publicly listed firms. The need for corporate governance resulted from separation of firm owners from its management and the conflict of interest from both partied. In view of this, a governing board is required and seen as the ultimate moderator to build a bridge to fill the gaps between the shareholders and firm management. The major strategies through which the board achieve these are annual audit and annual general meeting (Ali, 2018). Thus, the overall goal of corporate governance is to significantly lessen opportunities for corporate mismanagement and instances of corporate collapse and thereby provide better protection for shareholders and other business stakeholders. A dominant focus of the changes required to achieve these is on strengthening the role and function of the board (Durden & Pech 2014). Thus, corporate governance is intended to minimize the conflict of interests between firm management and the shareholders and other stakeholders of the firm. In good corporate governance, the selfish firm managers are coerced to make decision that maximizes shareholders' wealth (Kararti, 2014). Mansur and Tangl (2018) stated that corporate governance is a system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in a corporation, such as, board of directors, management, shareholders and external auditor. The costs incurred in arranging this system is the cost of corporate governance. Matyukhina (2020) posited that the number of mandatory provisions for corporate governance in publicly listed firms increases the costs of compliance with the governance. The costs of corporate governance include hiring non-executive directors, forming board committees and arranging their regular meetings; it also include the cost of holding annual general meetings, embedding a system of risk management and internal controls over financial reporting, in particular; having the internal control system certified by external auditors, ensuring proper dialogue between the shareholders and the board. These measures certainly make good governance costly, but this price is not as high as shareholders of Enron, WorldCom, Lehman Brothers, Polly Pack, Baring's Bank and a few others had to pay for lack of corporate governance arrangements. For, the purpose of this study, board remuneration, audit fee and annual general meeting expenses were adopted as the independent variable and corporate governance costs. The objective is to test their effect on gross premium of insurance firms in Nigeria. Ahmed, Bahamman and Abdulkarim (2020) defied directors' remuneration as all forms of reward from various sources accruing to top management staff and directors of a firm. The reward is either short or long term in nature. They include; salaries, bonuses, allowance, insurance, shares are paid on bases consistent with profit and other measures of financial performance. Enofe, Mgbama, Okunrobo, and Izon (2012) defined audit fee as the amount of money received by an audit firm for carrying out an audit assignment. Yuniarti (2011) stated that the amount of audit fee depends on the risk of assignment, the complexity of services provided, expertise, and other professional considerations. This implies that the higher audit fee will provide a higher audit quality. Chen (2021) defined annual general meeting expenses as all the expenditure incurred by a limited liability company in organizing an annual general meeting. Typical expenses of holding an annual general meeting will include cost of sending notice of the meeting to shareholders and other invited stakeholders, transportation cost for some key personnel and materials, cost of renting a venue and decoration of the venue. It also includes, cost of providing security and entertainment of stakeholders during the meeting. Araujo (2022) described insurance premium as the amount of money the insurance company is charges the insured for an insurance contract. Gross premium is the total premium of an insurance contract before brokerage or discounts have been deducted. Gross premium does not represent the amount that the insurance company actually earns for writing the policy.

Statement of the Problem

Corporate governance is the system by which corporate entities are directed and controlled. It's a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and that of controlling shareholders over minority interest, the rights of employees, rights of creditors, rights of host communities and other stakeholders. The benefits of corporate governance cannot be overemphasized. For instance, corporate governance ensures transparency and accountability, thereby ensuring that the interests of all stakeholders are safeguarded. The major costs of corporate governance include the cost of hiring and remuneration of non-executive directors, the cost of forming and maintaining different board committees and arranging their regular meetings; it also include the cost of holding annual general meetings, the cost of hiring external audit and having the internal control system certified by external auditors. These measures certainly make good governance costly. Therefore, firms should minimize the cost of corporate governance as low as possible so that the benefits of corporate governance should outweigh its costs. However, following the collapse of some world big firm like Enron, WorldCom and Rahman Brothers and Baring's Bank, firm managers became aware that the ultimate price for poor corporate governance is the collapse of their intuition. Therefore, some firm managers, particularly in developing economies use this as an argument to incur huge and unnecessary costs on corporate governance of their firms. This has resulted in funds mismanagement and lack of accountability in some insurance firms in Nigeria to the extent that some of the firms have collapsed and liquidation. This prompted the present study to conduct examine corporate governance costs and premium mobilization of insurance firms in Nigeria.

Objectives of the Study

The main objective of the study is to examine corporate governance costs and premium mobilization of insurance firms in Nigeria. The specific objectives of the study are to:

i. Ascertain the relationship between board remuneration and gross premium income of insurance firms in Nigeria.

ii. Evaluate the relationship between audit fee and gross premium income of insurance firms in Nigeria.

iii. Investigate the relationship between annual general meeting expense and gross premium income of insurance firms in Nigeria.

Research Questions

The following research questions are in line with the specific objective of the study:

i. What is the relationship between board remuneration and gross premium income of insurance firms in Nigeria?

ii. How does audit fee relate with gross premium income of insurance firms in Nigeria?

iii. To what extent does annual general meeting expenses relate with gross premium income of insurance firms in Nigeria?

Statement of Hypotheses

The following hypotheses were formulated to resolve the research questions:

i. Board remuneration does not significantly relate with gross premium income of insurance firms in Nigeria.

ii. Audit fee does not significantly relate with gross premium income of insurance firms in Nigeria.

iii. Annual general meeting expenses does not significantly relate with gross premium income of insurance firms in Nigeria.

Review of Related Literature

Conceptual Review

Corporate Governance Cost

Matyukhina (2020) described corporate governance cost as the cost of implementing the number of mandatory and non-mandatory provisions for corporate governance in publicly listed firms. The costs include hiring non-executive directors, forming board committees and arranging their regular meetings; it also include the cost of holding annual general meetings, embedding a system of risk management and internal controls over financial reporting, in particular; having the internal control system certified by external auditors, ensuring proper dialogue between the shareholders and the board. Durden and Pech (2006) stated that t*he issue of increasing and stricter compliance with corporate governance for business is far-reaching. Attempting to protect shareholder interests through further measures of compliance will only introduce further operating complexities for management while increasing costs and reducing decision speeds and flexibility. The impact on firms forced to compete under such conditions will be considerable, particularly if they find themselves on an international landscape competing against firms not burdened with the same regulatory requirements.* Muriithi (2009) also described corporate governance as the system by which corporate entities are directed and controlled. It's a set of relationships between company directors, shareholders and other stakeholder's as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors, rights of host communities and other stakeholders. James and David (2018) describe corporate governance as the system of rules, practices and processes by which a firm is directed and controlled and it involves balancing the interests of a firm's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Claessens; Djankov and Fan (2002) states that corporate governance covers the relationship between shareholders/creditors and corporations, between institutions and corporations and between employees and corporations. Corporate governance could also include the corporate social responsibility, that is, the environment and culture. Setiany, Suhardjanto, Lukviarman, and Hartoko (2017) stated that the major objective of corporate governance is to ensure that the interest of all stakeholders of a corporation is protected. In this regard, indicate that corporate governance restricts opportunism and drive directors to opt for accounting practices, thus aligning the interests of the company and its shareholders. Awoyemi (2009) asserts that the governance structure specifies the distribution of rights and responsibilities among different participants. As a structure it gives right and responsibilities to the owners, managers and shareholders of a given institution. In essence, the exact structure of the corporate governance of any given institutions will determine what right, responsibility and privileges that are extended to each of the corporate stakeholders, and to what degree each stakeholder may enjoy and/or exercise their right.

Board Remuneration

Ahmed, Bahamman and Abdulkarim (2020) defied directors' remuneration as all forms of reward from various sources accruing to directors of a firm. The reward is either short or long term in nature. They include; salaries, bonuses, allowance, insurance, shares are paid on bases consistent with profit and other measures of financial performance. If the directors wrongly remunerated, then their zeal and effort will be tainted, and as such, the motivation to do the job will not be there to perform in the best interest of their principle its shareholders. Razali; Yee, Hwang; Tak and Kadri (2018) stated that the total remuneration received by directors can be in various components including fixed pay portion and variable short-term incentives to recognize individual merit. Remuneration not only shapes how directors behave but also help to retain talent through attractive remuneration since directors are viewed as a scare asset. Remuneration policy is one of the key factors in an organization's success. However, majority of these organizations are not exploiting this tool to the fullest. Eduardo (2009) said that executive directors' compensation consists of three elements, a base salary, an annual cash bonus plan, and a stock-based plan. While salary is based on an annual fixed amount and long-term incentive typically links executive compensation to the firm 's share price at some future date, short-term incentive payoffs usually stem from more immediate, operational performance drivers. Junaidu and Sanni (2014) defined directors' compensation as financial compensation and other non-financial awards received by an executive from their firm for their service to the organization. This typically a mixture of salary, bonuses, shares of or call options on the company stock, benefits, and perquisites, ideally configured to take into account government regulations, tax law, the desires of the organization and the Executive, and rewards for performance. Bebchuk and Fried (2004), identified the various elements of executive compensation to include a basic salary, bonus, stock options, and grant of shares, pension, severance pay and perquisites. Other benefits include employee benefits and pension ideally configured to take into account government regulations, tax law, the desires of the organization and the executive, and rewards for performance

Audit Fee

Enofe, Mgbama, Okunrobo, and Izon (2012) defined audit fee as the amount of money received by an audit firm for carrying out an audit assignment. The normal or expected rate of change in the audit fee reflects objective factors such as firm size, the complexity of the audit issues affecting the items appearing on the firm's profit and loss account and its statement of financial position as well as the changes that have occurred in the institutional and accounting frame work since the audit was last conducted. Al-Matarinah (2003) as equally described audit fees as the mounts charged by the auditor on account of audit work performed. The level of audit fees depends first on the auditor's effort. The connection between the price of the audit and the effort for its accomplishing is a natural one, because any audit mission is carried out according to some compulsory standards and rules established by professional auditing organizations. Audit fee as an important factor of audit quality. Greater audit fees are also associated with the choice of qualified auditors. Moutinho (2012) stated that the amount of fees for audit services that a client firm pays to its audit firm reflects the level of audit work performed in the auditing process. The level of work is determined by the auditor's assessment of the process's complexity and the desired level of risk. Choi et al., (2008) also opined that when there is a perception of high levels of liability exposure, audit firms adjust their required fees. Audit fees are also influenced by the litigation environment, that is, the legal regimes of different countries where the audit firms operate. Eneisik and Micah (2021) said that audit fees is the payments made to the auditor that relates directly to the audit function while non-audit fee is concerned with payments for other non-audit services rendered by the auditor. Generally, the audit fee should cover audit costs and provide a reasonable profit. Therefore, the audit fee can be seen as a combination of two items; audit cost and profit or auditor's reward. Yuniarti (2011) says that the amount of audit fee depends on the risk of assignment, the complexity of services provided, expertise, and other professional considerations. It shows that the higher audit fee will provide a higher quality audit as well. The researcher also adds that the amount of audit fee can affect the independence of public accountants' appearance because the big fee can make accounting firms become reluctant to oppose the will of the client, while small fee can limit the time and cost to perform complete audit procedures. Hay and Davis (2004) stated that in spite of higher audit fee, some clients are more interested in using large audit firms. Clients are confident that large audit firms have greater monitoring and bonding in order to capture higher audit quality.

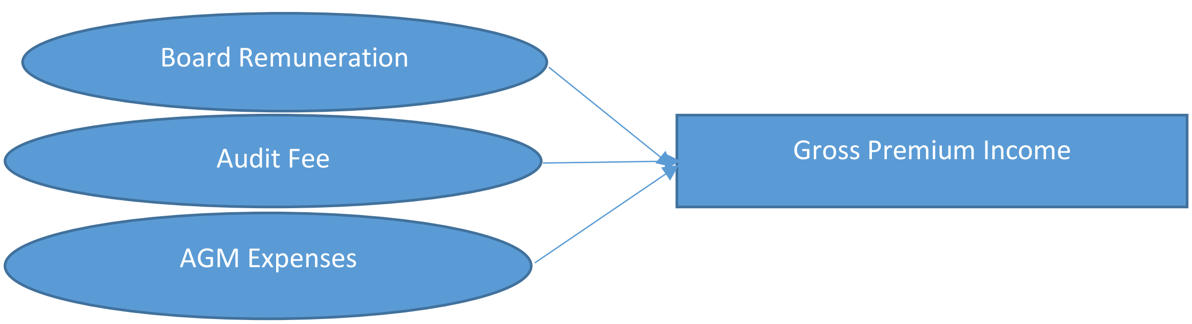
Annual General Meeting Expenses

Chen (2021) defined annual general meeting expenses as all the expenditure incurred by a limited liability company in organizing an annual general meeting. Typical expenses of holding an annual general meeting will include cost of sending notice of the meeting to shareholders and other invited stakeholders, transportation cost for some key personnel and materials, cost of renting a venue and decoration of the venue. It also includes, cost of public address system, cost of providing security, food and entertainment for stakeholders during the meeting. Agbakoba (2021) described annual general meeting as a regulatory tool which seeks to ensure that the interests of the directors of a company are aligned with those of the shareholders. It is one of the few times within the year that shareholders, who constitute the ownership of the company interact with the officers who run the firm. The General Meeting, whether annual or extra-ordinary is an important mechanism for ensuring directors' accountability. At an annual general meeting, the directors of the company present an annual report containing information for shareholders about the company's performance and strategy. During an AGM, a company's performance is analyzed and its future strategy is discussed. This is an opportunity for shareholders to question the board, get answers for unsatisfactory performance and challenge them on the direction of the company. Equally, an AGM is the time to praise good returns. Shareholders with voting rights vote on current issues, such as appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors. Shareholders who choose not to attend the meeting can normally vote by proxy, which can be done by post or by giving permission for another shareholder to vote on their behalf.

Gross Premium Income

Kegan (2022) defined insurance premium as the term used in the insurance industry to refer to the cost or price of an insurance policy. An insurance premium is the amount of money an individual or business pays for an insurance policy. Insurance premiums are paid for policies that cover healthcare, auto, home, and life insurance. Once earned, the premium is income for the insurance company. It also represents a liability, as the insurer must provide coverage for claims being made against the policy. Premiums are paid monthly, quarterly, semi-annually, annually, depending on the policy. Failure to pay the premium on the individual or the business may result in the cancellation of the policy. When an insured pays their insurance premiums, they are paying a gross premium which includes money to pay for things like commissions to brokers and other selling expenses. After those expenses are accounted for, you end up with a net premium which is what the insurance company actually collects on an insurance policy. Collins Dictionary (2022) describes gross premium as the total premium of an insurance contract before brokerage or discounts have been deducted. In reinsurance, the primary insurance company usually pays the reinsurer its proportion of the gross premium it receives on a risk. The gross premium is the total premium paid by the policy owner (the insured), and generally consists of the net premium plus the expense of operation minus interest. A gross premium is the total premium of an insurance contract before brokerage or discounts have been deducted. Thus, gross premium does not represent the amount that the insurance company actually earns for writing the policy. The gross premiums are typically adjusted upwards to account for commissions, selling expenses like discounts, and other insurer expenses. The net premium is what is actually collected by the insurance company that they use to pay for administration and other expenses needed to operate the business, held in reserve to pay claims, invest to earn additional profits, and ultimately generate a profit for shareholders and owners.

Fig 1: Conceptual Framework



Theoretical Framework

Two theories were used to support the study. The theories are: Agency Theory developed by Stephen Ross and Barry Mitnick in 1972, and the Stakeholders Theory developed by Edward Freeman in in 1984. Between the two theories, Agency Theory is more rooted on the main objective of the study. The study is, therefore, anchored on the Agency Theory.

Agency Theory

This theory was originally propounded by Stephen Ross and Barry Mitnick in 1972. Agency Theory Agency theory is defined as the relationship between the shareholders (principals) and company executives and managers (agents). In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Agency theory suggests that employees or managers in organizations can be self-interested or self-centered. Under the Agency Theory, the shareholders expect the agents to act and make decisions on the best interest of the principal. However, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2002). The agent may likely succumb to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a result of separation of ownership and control (Bhimani, 2008). The idea of corporate governance occurs because of this separation between ownership and control in the business. Owners often include shareholders, financial institutions and other companies and initial founders. The primary reason behind the requirement of corporate governance is to protect the interests of the owners and other shareholders of the firm. Corporate governance focuses on the need to monitor the management of a company and separate the entity from its ownership, and ultimately maintain the investors' rights and stakeholders (Hoffmann, 2013). The agents are controlled by principal-made rules, with the aim of protecting their interest and maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004). Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976).

Stakeholders' Theory

Edward Freeman propounded the Stakeholders' Theory in 1984. The theory states the contrary to agency theory that view organizations as a system of relationship between shareholders and management, stakeholders' theory view organizations as a system that accommodates not only the interest of the owners but also the interests of other groups within the environment which the organization operates. The theory argued that since organizations cannot operate and exist in isolation without relating with its immediate environment then the interest of other stakeholders like employees, customers, suppliers and host community might be considered in the process of strategic decision making. Therefore, the main argument of the theory, as pointed by Lawal (2011), is that organizations should not only maximize the returns of shareholders alone, but also the expectations of other stakeholders should be considered. Finally, the theory argued that for a firm to achieve effective performance in the market, cordial relationship must exist between the firm and the stakeholders and the firm board should be large and diversified enough to accommodate the interest of other stakeholders. The stakeholder's theory proposed an increased level of environmental awareness which creates the need for companies to extend their corporate planning to include the nontraditional stakeholders like the regulatory adversarial groups in order to adapt to changing social demands as in (Malarvizhi & Yadav, 2008). The main concern of the stakeholders' theory in environmental accounting is to address the environment cost elements and valuation and its inclusion in the financial statements.

Empirical Review

Board Remuneration and Goss Premium Income

Appah, Tebepah and Awuji (2020) analyzed the effects of directors' compensation on the financial performance of listed deposit money banks in Nigeria for a period of 10 years (2008-2018). The dependent variables are return of asset and return on equity while the independent variables include directors' salary, bonus and stock option. Bank seize was used as the control variable. Five deposit money banks listed on the Nigeria Stock Exchange during the period were sampled for the study. The selected banks are: First Bank of Nigeria, Zenith Bank of Nigeria, United Bank for Africa, Guarantee Trust Bank, and Union Bank of Nigeria. The data collected from the financial statements were tested using multiple regression analysis. Findings suggest that there is a relationship between directors' salary and return on assets and return on equity of the banks. Result also indicate that there is a relationship between directors' bonus on return and assets and return on equity. Result further show that there is a relationship between directors' stock option on return on assets and return on equity of deposit the banks. Tarun and Amrinder (2020) examined the trends and patterns in remuneration of directors working for the largest 30 listed companies in India over the past 18 years (2002-2019). Directors' remuneration is the independent variable while return on assets, profit before dividend, interest and tax were used as the dependent variables. The control variables are: firm's size, governance, leverage, and risk for the sample companies. Correlation and panel least square regression were used to analyze the data collected for the study. Findings show that a significant increase in remuneration for the period of study, especially after the new guidelines on executive remuneration in the Indian Companies Act, 2013. It also confirms a change in the composition of the remuneration in the last five years wherein the proportion of fixed component (salary) has increased, and the component of variable components (bonus/commission, perquisites) have declined. Results also confirm a short-term bi-directional association between directors' remuneration and firm performance variables. Further, the outcomes of the panel least square regression confirm the subsistence of a strong pay-performance association for the variable components of directors' remuneration. The study also found a positive relationship with board size indicating larger boards fail to exercise control on paying excessive remuneration to its directors. Ahmed, Bahamman & Abdulkarim (2020). This study investigates the moderating effect of selected board attributes on the relationship between directors' remuneration and financial performance of listed insurance companies in Nigeria. The study targeted all 28 insurance firms listed on the Nigerian Stock Exchange out of which 19 were sampled. Data was generated from annual reports and accounts of listed Insurance companies in Nigeria from 2012 to 2017. Data was analyzed using panel data regression analysis. Findings indicate that directors' remuneration is positively and significantly related to financial performance. On the interaction variables, it was found that the presence of more independent directors on the board strengthens the positive impact of directors' remuneration on firm performance. The study recommends that remuneration of directors be given priority by insurance companies, as shown that it affects performance. Also, strict compliance should be enforced regarding board attributes by the regulatory bodies on the insurance companies to enhance the interaction effects. Aslam, Haron and Tahir (2019) investigated the interrelationship between pay and performance of Chief Executive Officers/Board of Directors in an emerging market in Pakistan from 2009 to 2016. The key research variables under examined are total remuneration of board of directors which comprises of two forms, cash base remuneration and non-cash-based remuneration. Other independent variables are: board size and CEO duality. The dependent variables are: return on assets, Tobin Q and Earnings per Share. The sample consists of 50 firms with complete information about the disclosure of board remuneration, board committees and board structure. Regression analysis was used as main tool of analysis while GMM approach was used to account for the problem of potential endogeneity and unobserved heterogeneity that arises due to the potential reverse causality. Findings indicate that, board remuneration is negatively associated with firm performance measured by Tobin Q and EPS. The corporate governance variable board size has a positive significant association with the firm Tobin Q performance and this suggested that board size is a matter for the Tobin Q performance. Moreover, CEO duality has a negative and significant relationship with performance, particularly ROA and insignificant relation with the other performance indicators.

Audit Fee and Goss Premium Income

Eneisik and Micah (2021) examined the relationship between audit quality indicators and market price per share of listed deposit money banks in Nigeria from 2006 to 2019. Audit quality indicators were measured with audit fees, audit tenure and audit firm size while market price per shares was measured with Tobin's Q. The population of this study comprise of fourteen (14) listed deposit money banks in Nigeria. Judgmental sampling techniques were used to select twelve (12) banks as sample size. Secondary data were obtained from audited annual financial reports of listed deposit money banks in Nigeria. The analytical tools include, descriptive statistics, panel least squares regression and Hausman test, fixed effect. Finding suggest that audit fees have negative and insignificant impact on Tobin's Q. Results further shows that audit tenure had negative and significant impact on Tobin's Q while firm size had positive and significant impact on Tobin's Q. The study concludes that audit quality indicators improved investors trust, confidence in the capital market and enhance market price per shares of listed deposit money banks in Nigeria. Mashyekh, and Fallah (2021) adopted descriptive-correlation type and regression method to examine the effect of audit fees on the relationship between auditor time pressure and profit quality of firms listed in Tehran Stock Exchange. Secondary data were obtained from a sample of 125 firms covering the period from 2016 to 2019. Results of analysis indicate that the auditor time pressure has a negative and significant relationship with the quality of companies' profits and the audit fee has a positive and significant effect on the relationship between auditor time pressure and profit quality. Mustafa and Abdulwahab (2018) examined the nexus between audit quality and firm performance for listed oil and gas firms in Nigeria. The study employed secondary source of data and the annual reports and accounts serving as the main source of data collection. Correlation analysis was used to examine the relationship among variables. Results show that there is insignificant relationship between audit quality proxies (audit fees, audit firm size, audit firm tenure and audit timeliness) and firm value. Although, the study also found that audit quality proxies are significantly and positively related to firm value, a measure of audit quality (audit firm tenure) is found to be negatively related to Tobin's Q ratio. Homayoun and Hakimzadeh (2017) investigated the relationship between audit fee and audit quality in family firms listed on Tehran Stock Exchange from 2007 to 2014. The sample consists of 30 family firms and 30 non-family firms on the Stock Exchange. Method of data analysis consist of t-test mean comparison and multiple regression model. Results of the analysis indicate that there is a significant difference between audit fee in family and non-family firms and also that family and non-family firms do not significantly differ in terms of size and auditor expertise. The results further show that family firms pay lower audit fees compared with non-family firms, such that with increased family ownership, the audit fee decreases. Hamed, Haron, Ali, and Hasan (2016) analyzed the impact of audit quality of firm performance for Malaysian listed companies for the period of 2003 to 2012. Audit fees and audit firm rotation were used the independent variables as well as proxies for audit quality. Return on assets and Tobin's q were used as measures of firm performance. Correlation analysis were used to analyze the data collected for the study. Findings suggest that there is insignificant relationship between audit quality proxies (audit fees and audit firm rotation) and return on assets. Finding equally indicate that audit fee is significantly and positively related to Tobin's Q ratio. However, audit firm rotation is insignificantly related to the Tobin's Q.

Annual General Meeting Expenses and Goss Premium Income

Kwame; Yusheng and Zhu (2017) studied the relationship between corporate governance and the performance of banks in Ghana in terms of their financial performance. Primary and Secondary data were collected through the administration of interview questionnaires and from the Ghana Association of Bankers respectively. In analyzing the data, panel data methodology was used to examine the relationship among variables. The findings suggest that large board size, long serving Chief Executive Officers, Size of Audit Committee, Audit Committee Independence, Foreign Ownership, Institutional Ownership, Annual General Meeting and Dividend Policy are positively related and associated with the financial performance of banks in Ghana. Nazrul (2014) examined the relationship between director's remuneration, corporate governance structure and performance of firms listed in Malaysia. A sample of 150 firms listed on Bursa Malaysia from 2008 to 2013 was selected for the study. ROA and non-accounting-based measures by Tobin's Q were used and the dependent variables while company specific characteristic such as corporate governance, company size, leverage, director's remuneration, board size and auditors were used as control variables. Secondary data were selected from the selected firms and analyzed using panel regression data regression analysis. Statistically significant relationships were found across the groupings and for different performance measures. Findings appear to suggest that there is a significant impact of government ownership on company performance after controlling for company specific characteristics. Khalid and Rehman (2014) studied impact of directors' remuneration on financial performance of a corporate firms in Pakistan during the period from 2007 to 2011. A total of 70 Pakistani corporate firms listed in Karachi Stock Exchange during the period were sampled for the study. Return on assets, earnings per share, sales growth and shareholders return were used and the dependent variables. Descriptive statistics, correlation analysis and panel data regression analysis were used to analyze the data obtained from the firm. Results provided enough evidence in support of the hypothesis that a positive association exists between key management remuneration and performance in terms of resource utilization and shareholder wealth.

Methodology

Research Design

This study adopted *ex-post facto* researcher design, which provides empirical solution for research problems by making use of data that are already in existence.

Area of Study

The research was conducted in Nigeria and on precisely on insurance firms listed on the Nigeria Exchange Group during 2012 to 2022 periods.

Sources of Data

The source of data for the study is secondary data sources. The data were obtained from the published annual report and financial statements of the selected insurance firms listed on the Nigerian Exchange Group during from 2012 to 2022.

Population of the Study

The twelve (12) insurance firms listed on the Nigeria Exchange Group during 2012 to 2022 periods constituted the population of the study.

Sample Size Determination

Purposive sampling technique was used to select five (5) firms from the twelve (12) Insurance firms listed on Nigeria Stock Exchange during the period. Only the insurance firms that disclosed their annual general meeting expenses in their annual financial statements during the period were selected for the study. The insurance firms that met this criterion are: Cornerstone Insurance Plc, Coronation Insurance Plc, Guinea Insurance Nigeria Plc, Linkage Assurance Plc, and LASACO Assurance Plc.

Model Specification

We developed a correlation model which is in line with the variables of the study:
$GPRM_t = \beta_o + \beta_1 BODR_t + \beta_2 AUDFt + \beta_4 AGME_t + \varepsilon_t$

Were,
GPRM: Gross Premium
BODR: Board Remuneration
AUDF: Audit Fee
AGME: Annual General Meeting Expenses
ε Error margin
t time in years
β_o Coefficient (constant) to be estimated
$\beta_i - \beta_4$ Beta coefficient of the independent variables

Description of Variables

Variable name	Label	Description
Gross Premium Income	GPRM	This is the total premium of an insurance contract before brokerage, discounts and other insurer expenses have been deducted. The gross premiums are adjusted upwards to account for commissions, selling expenses like discounts, and other insurer expenses.

Board Remunerations	BODR	Board compensation or remuneration is composed of the financial compensation and other non-financial awards received by the directors from their firm for their service to the organization.
Audit Fee	AUDF	Audit fee is the amount of money received by an audit firm for carrying out an audit assignment. The amount of audit fee depends among others on the firm size and the complexity of the audit work.
Annual General Meeting Expenses	AGME	An annual general meeting is a yearly gathering of a stakeholders of a publicly traded company. The total expenses incurred by the firm in hosting its annual general meeting is called AGM Expenses. Such expenses include: cost of notice to stakeholders, transportation cost, rent and decoration of venue, security, entertainment and so on.

Source: Authors Compilation 2023.

Methods of Analysis

Descriptive Statistics and Multiple Regression Analysis are the diagnostics tools of analysis while Parsons' Product Moment Correlation Matrix was used as the main statistical tool to examine the relationships among variables and thus test the three null hypotheses formulated for the study. Jacque-Bera Statistics, Skewness and Kurtosis tests were used to test the distribution of the data while Adjusted Coefficient of Determination (R^2) was used to examine the extent to which the independent variables explained gross premium income of the insurance firms. F-Statistics was used to test the predictive strength of the entire model. Durbin Watson Statistics was used to test for the presence of autocorrelation in the model. The independent variables of the study and surrogates for corporate governance cost are, Board Remunerations, audit Fee and Annual General Meeting Expenses while the dependent variable and proxy for premium mobilization is gross premium income of the insurance firms.

Data Analysis and Discussion of Results

The secondary data obtained from the annual reports and financial statements of the selected insurance firms quoted on Nigeria Exchange Group during the period were examined using Descriptive Statics, Multiple Regression Analysis and Person's Correlation Matrix. The results of analysis are presented in tables 4.2.1 to 4.2.3

Table 1: Descriptive Statistics

	GPRM	BODR	AUDF	AGME
Mean	7497954.	101709.5	28333.74	19933.93
Median	6237699.	68642.50	23350.00	15338.50
Maximum	21677723	454485.0	80364.00	129205.0
Minimum	913366.0	11820.00	5000.000	2337.000
Std. Dev.	5752090.	108884.3	19250.47	20367.47
Skewness	0.591191	2.046418	1.114693	3.828542
Kurtosis	2.277775	6.313160	3.633438	20.93202
Jarque-Bera	3.359362	48.52459	9.399967	665.3297
Probability	0.000433	0.000000	0.009095	0.000000
Sum	3.15E+08	4271801.	1190017.	837225.0
Sum Sq. Dev.	1.36E+15	4.86E+11	1.52E+10	1.70E+10
Observations	42	42	42	42

Source: E-View Output

Results of The Descriptive Statistics are presented in table 1. The table indicate that the mean value of the variables consisting of Gross Premium (GPRM), Board Remunerations (BODR), Audit Fee (AUDF) and Annual General Meeting Expenses (AGME) are: 7497954, 101709.5, 28333.74 and 19933.93 respectively while the Standard Deviations are:

5752090, 108884.3, 19250.47 and 20367.47 respectively. These results show that the variables were not volatile during the period with the exception of Board Remuneration and Annual General Meeting Expenses which were volatile during the period. The Skewness and the Kurtosis test show that the data set are normally distributed. This is because the Skewness Coefficients of all the variables crossed the benchmark rate of one except Gross Premium Income. Likewise, the Kurtosis Coefficients of all the variables crossed the huddle rate of three. This fact is more pronounced from the Jarque-Bera Statistics, which is a more critical test for normal distribution. From the table, the p-value of Jarque-Bera Coefficients for all the variables are less than 0.05, (0.05<0.000433, 0.05<0.000000, 0.05<0.009095 and 0.05<0.000000) respectively.

Table 2: Multiple Regression Analysis

Dependent Variable: GPRM				
Method: Panel Least Squares				
Date: 05/19/23 Time: 05:26				
Sample: 2011 2022				
Periods included: 12				
Cross-sections included: 5				
Total panel (unbalanced) observations: 42				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BODR	21.14474	6.021367	3.511617	0.0012
AUDF	222.0978	40.81795	5.441178	0.0000
AGME	-42.83033	40.05245	-1.069356	0.2917
C	-91750.62	1245240.	-0.073681	0.9417
R-squared	0.563733	Mean dependent var		7497954.
Adjusted R-squared	0.529291	S.D. dependent var		5752090.
S.E. of regression	3946408.	Akaike info criterion		33.30490
Sum squared resid	5.92E+14	Schwarz criterion		33.47039
Log likelihood	-695.4030	Hannan-Quinn criter.		33.36556
F-statistic	16.36754	Durbin-Watson stat		0.295309
Prob(F-statistic)	0.000001			

Source: E-View 8.0 Output

Results of the multiple regression analysis are presented in table 2. It could be observed from the table that the Adjusted Coefficient of Determination (R^2) of the model is 0.563733. This implies that only 56% of the variation in Gross Premium Income of the insurance firms in Nigeria are explained by the independent variables consisting of, Board Remuneration (BODR), Audit Fee (AUDF) and Annual General Meeting Expenses (AGME) while the remaining 44% is explained by other factors not captured in the model of the study. It was also observed from the regression model that the coefficient of Board Remuneration is positive at 21.14474, with p-value of 0.0012, which is less than 0.05 (0.0012<0.05). Thus, we state that Board Remuneration positively and significantly affect Gross Premium Income of the insurance firms. It further observed from the model that the coefficient of Audit Fee is positive at 222.0978, with p-value of 0.0000, which is less than 0.05 (0.0000<0.05). Therefore, we conclude that Audit Fee positively and significantly affect Gross Premium Income of the insurance firms. However, results from the model indicate that the coefficient of Annual General Meeting Expenses negative at -42.83033, with p-value of 0.2917, which is more than 0.05 (0.2917>0.05). Hence, we opine that Annual General Meeting Expenses negatively, but non-significantly affect Gross Premium Income of the insurance firms during the period.

Table 3: Parsons' Correlation Matrix

	GPRM	BODR	AUDF	AGME
GPRM	1.000000	0.353043	0.649574	0.398263
BODR	0.353043	1.000000	-0.008672	0.268838
AUDF	0.649574	-0.008672	1.000000	0.595075
AGME	0.398263	0.268838	0.595075	1.000000

Source: E-View Output

Table 3 presents the correlation results of the independent variables and the dependent variable. These results were used to test the three null hypotheses formulated for the study. The test of hypotheses formed the basis for discussion of findings of the study.

Board Remuneration and Gross Premium

Results from the table show that the correlation coefficient of Board Remuneration is positive at 0.353043. However, this is less than 0.5 (0.353043<0.5). Hence, we conclude that the relationship between Board Remuneration and Gross Premium Income of the selected insurance firms in Nigeria is positive, but weak. This result is consistent with Stakeholders Theory developed by Edward Freeman in 1984. Freeman (1984) argue that firms should not only maximize the returns of shareholders alone, but also the expectations of other stakeholders should be considered. The theory further argues that in order for a firm to achieve effective performance in the market, cordial relationship must exist between the firm and the stakeholders. This result is also consistent with Khalid and Rehman (2014) who examined the impact of directors' remuneration on financial performance of corporate firms listed in Pakistan. Result shows that a positive association exists between key management & board's remuneration and performance in terms of resource utilization and shareholder wealth. Ahmed, Bahamman & Abdulkarim (2020) who studied the effect of board attributes on the relationship between directors' remuneration and financial performance of listed insurance firms in Nigeria. Directors' remuneration was found to be positively and significantly related to financial performance. The presence of more independent directors on the board strengthens the positive impact of directors' remuneration on firm performance. Appah, Tebepah and Awuji (2020) who examined the effects of directors' compensation on the financial performance of listed deposit money banks in Nigeria and found that there is a positive relationship between directors' salary, directors' bonus, directors' stock option with return on assets and return on equity of the banks. However, the result is not in agreement with Aslam, Haron and Tahir (2019) who examined the interrelationship between pay and performance of CEO/Board of Directors in an emerging market in Pakistan. The result in that study shows that board remuneration is negatively associated with firm performance measured by Tobin Q and EPS.

Audit Fee and Gross Premium

Results from the table also indicate that the correlation coefficient of Audit Fee is positive at 0.649574. This result is greater than 0.5 (0.649574>0.5). Thus, we postulate that the relationship between Audit Fee and Gross Premium Income of the insurance firms is positive, and also strong. This result is equally consistent with Stakeholders Theory by Edward Freeman. The result is also in agreement with Hamed, Haron, Ali, and Hasan (2016) who analyses the impact of audit quality on financial performance of Malaysian listed companies. In this study, Audit fee was found to be strongly and positively related to Tobin's Q ratio while audit firm rotation insignificantly related to the Tobin's Q. Olutokunbo, et al 2020) who studied the effect of corporate characteristics, audit fees and corporate environment on profitability of distributive firms in Nigeria. Findings suggest that the effect of firm size, audit fee, audit firm type and board independence on firm profitability are positive and statistically significant. However, the result contradicts: Eneisik and Micah (2021) who analyses the relationship between audit quality indicators and market price per share of listed deposit money banks in Nigeria. Audit fees was found to have negative and insignificant impact on Tobin's Q. Audit tenure had negative and significant impact on Tobin's Q while firm size had positive and significant impact on Tobin's Q. Hamed, et al (2016) who analyzed the impact of audit quality of firm performance for Malaysian listed companies. Finding indicate that audit fee is significantly and positively related to Tobin's Q ratio.

Annual General Meeting Expenses and Gross Premium

Results from the table further reveal that the correlation coefficient of Annual General Meeting is positive at 0.398263. However, the result is less than 0.5 (0.398263<0.5). Therefore, we opine that the relationship between Annual General Meeting Expenses with Gross Premium Income of the firms is positive, but weak. The result is similar with Njeri (2021) who investigated the effect of cost management on financial performance of Agribusiness

Enterprises in Kenya and found that cost management had significant influence on return on investment of the Agribusiness during the period.

Conclusion

The study investigated corporate governance costs and premium mobilization of insurance firms in Nigeria during 2011 to 2022 periods. Five (5) insurance firms listed on Nigeria Exchange Group during the period were sampled and used to conduct the study. Secondary data were extracted from the annual report and financial statements of the selected insurance firms and analyzed using descriptive statistics, Multiple Regression Analysis and Parsons' Product Moment Correlation Matrix. Based on the results of the analysis, we conclude that the relationship between Board Remuneration and Annual General Meeting Expenses with Gross Premium Income of the selected insurance firms is positive, but weak while the relationship between Audit Fee with Gross Premium Income is positive and also statistically strong.

Recommendation

1. The insurance firms in Nigeria should improve their gross premium income by appointing board members with the requisite qualification and experience in the industry. Such board members should be well remunerated to contribute meaningfully in the policy formulation and strategic planning of the insurance firms, thereby improving gross premium income and other financial performances of the insurance firms.

2. The insurance firms should also improve their gross premium income by appointing well qualified, experienced and independent audit firms to audit their annual accounts and financial statements. Such audit firms will demand high audit fee, but this will improve the quality of the audit work, increase gross premium income and firm value of the insurance firms.

3. Finally, the insurance firms should hold their annual general meetings as at and when due so that issues requiring shareholders' attention will be addressed promptly. Regular annual general meetings will increase the annual general meeting expenses of the firms, but this will translate to high stakeholders' engagement and eventually improve the gross premium income and other financial performances of the firms.

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