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IMPACT OF CORPORATE FINANCIAL POLICIES ON FIRM VALUE OF QUOTED INSURANCE FIRMS IN NIGERIA

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Abstract
The market place is changing rapidly and corporate policies are evolving from what it used to be in the past decade. In the early 1960's to late 1980's investors coveted long term financial gains and capital appreciation and were uncomfortable when firms acquire debt to finance their business however the trend has changed over time with more and more investors expecting short term gains opposed to more traditional long-term financial strategies. Therefore this paper examined the impact of corporate financial policy on firm value of insurance firms in Nigeria for the period 2011 to 2017. In carrying out this study, expost-facto research design was employed and secondary data sourced from 25 insurance annual report and Nigeria Stock Exchange factbook for the period of 7 years. Pool time series data were extracted related to dividend payout, equity issuance, debt asset, equity asset, return on asset and Tobin Q was used as proxies for firm value in this study. The findings indicate that dividend payout and equity issuance have significantly impacted on firm performance (Tobin Q), the study also stated that ROA has no significant relationship with dividend payout, equity asset, debt assets and equity issuance during the period under study. It was recommended that insurance managers should devote adequate time in designing a dividend policy that will enhance firm's performance (ROA) and shareholder value. Again, the company should review its dividend policy in order to reduce agency cost and maximize the value of the company.

Keywords: Corporate Finance Policies, Return on Asset, Tobin Q

JEL Classification Codes: *G32, G12*

1. INTRODUCTION

The foremost objective of any firms is the maximization of its value. This overriding objective motivates managers to make decisions that will increases the value of the firm. Traditionally, there are three types of corporate financial policy: investment, financing and dividend policies. Corporate financial policies involves estimating financial requirements, deciding the capital structure, selecting a source of finance as well as pattern of investment, proper cash management, implementing financial controls and proper use of surplus in a bid to increase the value of the firm to the shareholders. Corporate financial policy deals with important policies that must be made with caution because it will affect the corporate financial performance

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as well as shareholders' wealth. Decision making relating to financial policy is one of the most important decisions to be decided by the board.

Given that the market place is changing rapidly, new corporate policies are evolving also for example, in the early 1960's to late 1980's investors coveted long term financial gains and capital appreciation and were uncomfortable when firms acquire debt to finance their businesses however the trend has changed over time with more and more investors expecting short term gains opposed to more traditional long-term financial strategies. This shift in the expectations of investors has propelled a change in setting corporate financial policies. Most empirical studies have focused on the effect of one aspect of the corporate financial policy which are dividend, equity issued, Debt and equity to total asset on firm value this is the point of departure of this study from others. Studying the effect of a part of the whole does not give a comprehensive picture of the effect of these corporate financial policies on the firm value because these policies are not taken in isolation of each other.

This study provides answers to the ensuing questions? Does corporate financial policy really matter? Is there an effect of corporate financial policy on firm value? The main objective of the study is to determine if corporate financial policy has any significant on the firm value of insurance firms in Nigeria for the period 2011 to 2017.

The hypothesis of this study in the null form is stated as follows

H_{01} : Dividend payout does not have a significant impact on firm value
H_{02} : Equity issuance does not have a significant impact on firm value
H_{03} : Equity to total assets ratio does not have a significant impact on firm value
H_{04} : Debt to total assets ratio does not have a significant impact on firm value

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Concept of Corporate Financial Policies

Corporate Financial Policy is one of the most complex areas of financial decision making because of its interrelationship with other financial decision variables. Poor capital structure decisions can result in a high cost of capital, thereby, lowering the net present value of projects and making more of them unacceptable. The foremost goal of these policies is to safeguard supply of capital to the organization, keeping the present and future requirements of business in mind. A company's corporate financial policies comprised of the following: Capital structure, financing and dividend policy.

Capital structure has been studied extensively with the main focus on whether debt affects firm's value or the proportion of debt usage is irrelevant to the individual firm's value. Capital structure is considered as the proportional relation between a firm's debt capital and equity capital. This decision is vital for a firm as it has a direct influence on the risk and return of a firm. Besley and Brigham (2008) are of the view that capital structure is a blend of long-term debt capital, preferred share capital and the net worth that is used to finance the firm activities.

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Graham (2000) stated that debt ratios in developing countries seem to be affected in the same way and by the same type of variables that are significant in developed countries. However, there are systematic differences in the way these ratios are affected by country factors, such as GDP growth rates, inflation rates, and development of capital markets. Dividend payout policies have been on the front burner of corporate finance discussions since the Modgiliani and Miller (1961) theory that discloses that firm value and shareholders' wealth are not related to the dividend policy of the firm. Dividend is a portion of a company's net earnings which the directors recommend to be distributed to shareholders in proportion to their shareholdings in the company (Pandey, 2010). It is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share.

Considering dividend payout in information perspective, the dividends signaling theory prescribes that dividend payout can be used to communicate information about a company's financial performance to investors. Cash dividend announcement convey valuable information which shareholders do not have about management's assessment of a firm's future profitability, thus reducing information asymmetry. Such information can be made use of by investors in assessing the firms' financial performance and making investing decision (Murekefu, 2012). It is expected that firms that pay dividend do so from their excess net earning therefore they are perceived to be more profitable than firms that do not pay dividend. Similarly, Arnoth and Asness (2003) stated that future earnings growth is associated with high rather than low dividend payout. Zhou and Ruland (2006) asserted that that high dividend payout firms tend to experience strong future earnings. However a high payout ratio means more dividends and fewer funds for expansion and growth.

According to Abraham and Harrington (2011) equity issuance comprise of initial public offering and issues of stock by a firm as means to raise funds through the sale of stock rather than the issuance of additional debt. Firms raise money by selling ownership interests as represented by shares of stock to investors (Rad & Tsai, 2006). Financial theory suggests that issued equity presents the most costly means of attracting capital. The decision by a firm's management to attract funds by issuing equity is undertaken if funds can't be attracted in any other way or if the shares are overvalued such that the benefits of an issue outweigh the costs.
Rajan (2012) argues that equity is the instrument for raising finance in many start-ups. Clearly, the high degree of uncertainty associated with start-ups and the low initial cash flows militate against fixed payments and therefore against debt. However, the nature of the firm and its financing are closely interlinked. To produce significant net present value, a financier has to transform her enterprise into one that is differentiated from the ordinary, i.e. innovate on some features.

Firm's value can be measured by the earnings generated by the company in terms of profitability (Barron, 2002). Firm's performance is the measurement of what has been attained by the firm, which is an indicator of the good conditions for a period of time. The objectives of measuring firm value are to obtain very useful information about flow of funds, the uses of firm finances, their efficiency and effectiveness. Besides, the managers are able to make best decisions from the information on firm's performance (Almajali, 2012). Investors are more willing to buy shares in firms whose value are high due to enhanced reputation, and if the demand for its shares increases the shares prices increases hence an increase in the firm's value.

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Profitability enables a firm to withstand negative economic shocks and enhances stability of the firm. Increased firm value maximizes the utility for shareholders through dividend and stakeholders' interest through corporate social responsibility (Bhutta & Hasan, 2013).

2.2 Theoretical Framework

2.2.1 M&M Theory

Modigliani and Miller (1958) proposition concluded that the value of the firm, that is, its stock price, does not depend on the capital structure or dividend payout of the firm. The main idea behind Modigliani and Miller's theory is that, a rational investor can create any capital structure on his/her own through homemade leverage substitution. "Capital structure irrelevance" is based on assumptions that include perfect capital markets, homogenous expectations, no taxes, and no transaction costs; all earnings are paid out as dividend. Modigliani and Miller (1963) stated that borrowing will only cause the value of the firm to rise by the amount of the capitalized value of the tax subsidy. The introduction of tax deductibility of interest payments has an implication on the choice of capital structure. Profitability increases, non-debt tax shields reduce and liquidity increases.

A major problem for a shareholder is how to force managers to pay out cash flows rather than retain them. Using debt reduces cash flow available to managers for spending and forces them to pay out future cash flows. However, shareholders cannot force the payment of dividends and therefore the theory predicts that announcements of equity offerings has a negative effect on stock returns and performance since it increases the free cash flow available for poor spending. An empirical prediction of the free cash flow theory is that the change in performance following the equity issue is negatively related to the existing free cash flow, making the theory relevant to the study. The theory also predicts that as long as the number of positive-NPV opportunities is limited, these firms will experience a decline in operating performance subsequent to issuing equity. Free cash flows are net cash flows that are at the management's discretion without affecting corporate operating activities, (Dittma 2000). Free cash flow have also been described as a measure of a company's performance and shows cash that the company possesses after spending for maintenance or development of the property (Shahmoradi, 2013). Jensen (1986) defined free cash flows as net operating cash flows less capital expenditure, inventory cost and dividend payment. Another definition by (Brush, Bromile and Hendrickx, 2000) stated that they are undistributed cash flow in excess of that needed for positive net present value projects. An advantage of free cash flows as a performance measure unlike earnings is that they are not easily subject to manipulation by firm managers (Mehrani & Baqeri, 2009).

2.2.2 Pecking Order Theory

Donaldson (1961) followed by Myers (1984) suggests that management follows a preference ordering when it comes to financing. His work suggests that the costs of issuing risky debt or equity overwhelm the forces that determine optimal leverage in the trade-off model; the result is the pecking order. He also argued that the trade-off theory fails to predict the wide degree of cross-sectional and time variation of observed debt ratios. The pecking order theory is mainly a behavioral explanation of why certain companies finance the way they do. It is

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consistent with some rationale arguments, such as asymmetric information and signaling, as well as with flotation costs. Moreover, it is consistent with the observation that the most profitable companies within an industry tend to have the least amount of leverage and more of equity (Khan & Jain, 2004). This observation that profitable firms mostly adopt equity financing by using least debt amounts makes this theory relevant to the study. The pecking order theory explains why the bulk of external financing comes from debt; why more profitable firms borrow less: not because their target debt ratio is low. The order followed is that firms prefer internal finance and if external finance is required, firms issue the safest security first. They start with debt, then possible hybrid securities such as convertible bonds then perhaps equity as a last resort (Pandey, 2009). Corporate managers are more likely to follow a financing hierarchy than to maintain a target debt- equity ratio (Pinegar & Wilbricht, 1989). The equity of a firm will be mispriced by the market when the management of that firm holds more information about the future prospects of the firm and condition of its assets as compared to outside shareholders. According to Myers and Majluf (1984), the market tends to conclude that the shares of an issuing firm are overvalued, which in turn leads to lower proceeds for a share issuing firm. The important fact here is that managers will only issue shares when they are overvalued in order to protect the interests of existing shareholders.

2.3 Empirical Review

2.3.1 Dividend Payout and Firm Value

There is substantial empirical literature on the relationship between dividend payout policies on firm value, however their findings are diverse. Zhou & Roland (2006) used a multiple regression model to establish the relationship between dividend payout and firm value. The key independent variable for their study was dividend payout. Size was controlled because small firms are likely to exhibit stronger growth than large companies which are more established and mature. There was control for return on assets since it is difficult to demonstrate strong earnings growth when the profitability is already high. Leverage was controlled on the expectation that firms with high leverage would tend to have large investments and thus higher earnings growth. Earnings yield, past earnings growth and future asset growth were also controlled for. Without controlling for past earnings and future asset growth, it would be difficult to establish growth due to the dividend policy. Based on the findings, there was no significant relationship between both variables.

Enekwe, Nweze and Agu (2015) investigated the effect of dividend payout on the performance of quoted cement companies in Nigeria over twelve (12) years period from 2003 to 2014. The researcher employed Return on Capital Employed (ROCE); Return on Assets (ROA) and Return on Equity (ROE) as dependent variable Dividend Payout Ratio (DPR) represented the independent variable. The study concluded that dividend payout ratio (DPR) has significant relationship with ROCE and ROA while DPR has statistically insignificant relationship with ROE of quoted cement companies in Nigeria. Simon-Oke and Ologunwa (2016) analysed the impact of dividend payout policies on firm value for five firms listed on the Nigerian stock exchange from 2005 to 2015.They utilized Market price per share as proxy for firm value while measures of dividend payout were dividend per share and retained earnings per share. The study

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concluded that dividend per share significantly affect firm value while Retained earnings did not significantly affect firm value.

2.3.2 Equity Issuance and Firm Value

Friday (2000) examined the firm value of 200 US real investment trusts following equity offer made in the period 1990-1996.The sample showed flat to increasing levels of operating performance changes prior to the equity offering and flat industry adjusted performance changes following the equity offering. These results contrasted with industrial firm results where performance changes are found to be negative following equity offering. They attributed the difference to the structural differences in REITs that limit the levels of internal capital available to REIT managers. Jumba (2002) studied the relationship between firm value and equity issuance in NSE for the period 1992-2000 and concluded that in the short run seasoned equity offering (SEO) over perform the market while in the long run seasoned equity offering (SEO) underperformed the market using three year holding period.

Musila (2015) established the relationship between equity financing and firm value for energy and petroleum firms listed at the Nairobi Securities Exchange from 2005-2014. The study used secondary data from published audited annual reports of accounts for the sample firms and these were obtained from Nairobi Securities Exchange and Capital Market Authority. Financial data from balance sheets, profit and loss accounts and cash flow statements were used to calculate and analyze return on equity which is the dependent variable, while growth opportunities; firm size, liquidity ratio and equity ratio are independent variables. The study used a regression model to analyze the relationship between equity financing and firm value. The results of the study showed an insignificant but positive relationship between equity financing and firm value for the period studied. The study also showed a significant positive relationship between financial performance and growth opportunities and equity ratio. The study concluded that firms which invest resources towards increasing growth in asset base show an increased in firm value.

Irene, Kimani and Samuel (2017) analyzed the effect of equity on financial performance of SMEs in Kenya. The study adopted a descriptive survey research design. The target population of study was 300 SMEs from which a sample size of 60 SMEs was drawn. The study revealed that SMEs had greater preference for contribution from friends and ploughing back profit as a source of equity finance. Angel investors as a form of equity financing has not gained acceptance as a source of finance. From the study it was evident that equity finance had a positive relationship to financial performance of the SMEs. Equity offered a lifelong financing option with no or minimal cash outflow inform of interest. The study also noted that the performance of the SMEs was largely affected by the source of finance and the liquidity position of the business.

2.3.3 Debt Asset and Firm Value

De Jong (2002) investigated the effect of debt on firm value in overinvested dutch firms from 1996 to 2000 proxies for the study were leverage and free cash flow as independent variables and Tobin's Q. The findings of the study revealed that leverage did have a positive

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effect on firm value (Tobin's Q) for firms vulnerable to overinvestment. A problem with his research is that it was conducted on a Dutch sample of firms which may limit the generalizability of the results.

Luper and Isaac (2012) examined the impact of debt on the firm value of manufacturing companies in Nigeria from 2005-2009. The study employed multiple regression analysis to investigate the relationship between the variables. Return on asset and profit margin were used as proxy for firm value while the ratio of short-term debt to total assets, long term debt to total assets and total debt to equity were used as proxy for the independent variable. The study concluded that there was a negative and insignificant relationship between short-term debt to total assets ratio and long term debt to total assets ratio on ROA and profit margin respectively
Olokoyo (2013) studied the impact of investigated the impact of debt's ratio on firms' value in Nigeria. The study used 101 firms listed on the stock exchange from 2003 to 2007. The study employed panel data analysis by using fixed effect estimation, random effect estimation and a pooled regression model. Firm's leverage was found to have a significant negative impact on the firm value. The study further revealed that Nigerian firms are either majorly financed by equity capital or a mix of equity capital and short term financing.

Azhagaiah and Gavoury (2015) analysed the effect of debt on the firm value of 102 corporate firms in India for two distinct periods 1999-2000 and 2006 -2007. The findings indicated that an increase in the use of debt fund minimizes the net profit of the listed firms in Bombay Stock Exchange as the debt variables employed in the study has a significant negative influence on profitability variables (Return on Assets and Return on Capital Employed. Waheed, Fawad, Adnan and Jehangir (2016) examined the effects of debt on firm value on one hundred firm listed on the Pakistani stock exchange for six years. Secondary data was obtained for this purpose from financial statements of hundred companies for six years. debt asset, debt equity and ROA were used as the prixies. Using regression analysis to establish the relationship it was found that an increase in leverage is positively and significant to firm value.

2.3.4 Equity Asset and Firm Value

Luper and Isaac (2012) examined the impact of capital structure on the performance of manufacturing companies in Nigeria. The annual financial statements of 15 manufacturing companies listed on the Nigerian Stock Exchange were used for this study which covers a period of five years from 2005-2009. Multiple regression analysis was applied on performance indicators that included return on asset ROA) and profit margin. Short-term debt to total assets, long term debt to total assets and total debt to equity were used as capital structure variables. The results show that there was a negative and insignificant relationship between short-term debt to total assets and long term debt to total assets on ROA and profit margin respectively; while total debt to equity is positively related with ROA and negatively related with profit margin. Leverage will be measured by the ratio of total debt to total equity.

Rub (2012) analysed the impact of capital structure on firm value using panel data procedure for a sample of 28 listed companies the Palestinian Stock Exchange (PSE) over the period of 2006-2010. The study used five firm value measures (including return on equity, return on assets, earning per share, market value of equity to the book value of equity and Tobin's Q) as

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dependent variable and four capital structure measures (including short-term debt, long- term debt, total debt to total assets and total debt to total equity) as independent variable. The results showed that firm's capital structure had a positive impact on all the firm's value measures.
Mwangi and Kondongo (2014) investigated firm value and capital structure for listed non-financial companies in Dhaka Stock Exchange (DSE) for the period of 2008-2011. Firm value was measured by Return on Assets (ROA) and Return on Sales (ROS). Multiple regression models were used to estimate the influence of capital structure on firm value. Capital structure was measured by the debt ratio, debt to equity ratio, current debt ratio, proprietary of equity ratio and current assets proprietors' funds Ratio. The study established that Debt Ratio, Debt Equity Ratio and Proprietary of Equity Ratio are negatively and significantly related with ROA and ROS however total asset is positively and significantly related with ROA and ROS.

3. METHODOLOGY

The research design adopted for this study was expost-facto research design. In carrying out this study, secondary data were sourced from 25 insurance annual report and Nigeria Stock Exchange factbook for the period 2011 to 2017. Panel time series data was extracted relating to dividend payout, equity issuance, debt asset, equity asset, return on asset and Tobin's Q. The data obtained were analysed using multiple regression through Stata statistical package. The following multiple regression model was estimated as follows:

$ROA_{it} = \beta 0_{it} + \beta_1 (CDP)_{it} + \beta_2 (SIS)_{it} + \beta_3 (DTA)_{it} + \beta_4 (ETA)_{it} + e_{it}$
$TOQ_{it} = \alpha 0_{it} + \alpha_1 (CDP)_{it} + \alpha_2 (SIS)_{it} + \alpha_3 (DTA)_{it} + \alpha_4 (ETA)_{it} + e_{it}$

Where:
ROA= Return on asset (dependent variable) measured as a proxy for Firm value.
TBQ= Tobin's Q (dependent variable) measured as a proxy for Firm value.
$\beta 0$ = Constant term
$\alpha 0$ = Constant term
β_1 - β_4 = Coefficient of the parameter estimates
α_1 - α_1 = Coefficient of the parameter estimates
The explanatory variables are:
CDP = Dividend payout
SIS= Equity issuance
DTA= Debt asset
ETA= Equity asset
e = Error Term

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4. FINDINGS AND DISCUSSIONS

Table 1: Descriptive Statistics

	TBQ	ROA	CDP	DTA	ETA	SIS
Mean	0.885777	1.435474	-1.811210	52.76428	47.25250	8320628.
Median	0.861262	2.678286	0.000000	51.83195	48.16805	7739495.
Maximum	1.447334	20.75505	642.9083	126.2776	100.0000	20585000
Minimum	0.426549	-26.94648	-1716.980	9.816539	-26.27765	1284085.
Std. Dev.	0.195313	7.270857	181.9597	20.98178	21.20236	4161917.
Skewness	0.315026	-1.675417	-6.966831	0.409524	-0.341408	1.054353
Kurtosis	3.309507	7.296404	64.25999	3.724864	3.756835	4.076990
Jarque-Bera	3.264535	196.6775	26148.43	7.925263	6.883625	37.14339
Probability	0.195486	0.000000	0.000000	0.019013	0.032007	0.000000
Sum	140.8385	228.2404	-287.9823	8389.520	7513.147	1.32E+09
Sum Sq. Dev.	6.027254	8352.728	5231275.	69557.16	71027.35	2.74E+15
Observations	159	159	159	159	159	159

Table 1 presents the descriptive statistics for both the dependent and explanatory variables of the study. The number of observations for the study reflects a value of 159 indicating that the number of observation for the study is made up of a period of 6 years (2011-2017). The table also shows the mean of Return on asset, Tobin's Q, Dividend payout, Equity issuance, Debt to total asset, Equity to total asset values are: 0.885777, 1.435474, 1.811210, 52.76428, 47.25250 and 8320628 respectively. One important observation is that both the independent variables and the dependent variable have mean value higher than that of it standard deviation.

Table 2: Correlation Matrix

	TBQ	ROA	CDP	DTA	ETA	SIS
TBQ	1.000000	-0.261604	-0.059904	0.595307	-0.594779	0.251045
ROA	-0.261604	1.000000	0.062744	-0.226827	0.227919	-0.019836
CDP	-0.059904	0.062744	1.000000	0.015952	-0.018958	0.032265
DTA	0.595307	-0.226827	0.015952	1.000000	-0.988387	-0.211134
ETA	-0.594779	0.227919	-0.018958	-0.988387	1.000000	0.203520
SIS	0.251045	-0.019836	0.032265	-0.211134	0.203520	1.000000

From table 2 the correlation matrix result suggests that there is no multicollinearity among the independent variables of interest. The possible existence of multicollinearity is further tested through computing the variance inflation factor (VIF). According to Gujarati (2003), there is no consequence of multicollinearity if the mean VIF is less than 10.

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Table 3: Model 1 dependent Tobin q

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.533798	0.586089	-0.910780	0.3641
CDP	-8.55E-05	4.08E-05	-2.097681	0.0379
DTA	0.003432	0.002371	1.447851	0.1501
ETA	-0.001815	0.002198	-0.825851	0.4104
LOG(SIS)	0.083769	0.033472	2.502670	0.0136
R-squared	0.842188	Mean dependent var		0.885777
Adjusted R-squared	0.808197	S.D. dependent var		0.195313
S.E. of regression	0.085538	Akaike info criterion		-1.916304
Sum squared resid	0.951176	Schwarz criterion		-1.356566
Log likelihood	181.3461	Hannan-Quinn criter.		-1.689000
F-statistic	24.77723	Durbin-Watson stat		1.128161
Prob(F-statistic)	0.000000			

The Regression table reveals a positive significant relationship between Tobin Q, Dividend payout and Equity issuance but Debt to total asset and Equity to total asset were not significant. The estimate of this equation reveals a negative intercept which stands at -0.533798. This implies that when Tobin Q is zero, all the explanatory variables would stand at -0.533798.

The test of goodness of fit reveals that the estimated relation has a good fit. While both the R^2 and adjusted R^2, which stand at 84% and 80% respectively, revealed that about 84% of total variations in Dividend payout, Equity issuance, Debt to total asset and Equity to total asset is explained by variations in Tobin Q; the f-statistic, which reveals the joint significance of all estimated parameters in predicting the values of Dividend payout, Equity issuance, Debt to total asset and Equity to total asset, is statistically significant with a value of 24.77723 and a p-value of 0.000000

Table 4: Model 2 dependent variable ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.47274	40.63017	-0.553105	0.5811
CDP	0.003436	0.002826	1.216062	0.2261
DTA	-0.054825	0.164328	-0.333629	0.7392
ETA	0.047737	0.152394	0.313251	0.7546
LOG(SIS)	1.553023	2.320172	0.669357	0.5044
R-squared	0.448435	Mean dependent var		1.435277
Adjusted R-squared	0.330544	S.D. dependent var		7.247958
S.E. of regression	5.930301	Akaike info criterion		6.560550
Sum squared resid	4607.069	Schwarz criterion		7.117926
Log likelihood	-495.8440	Hannan-Quinn criter.		6.786881
F-statistic	3.803793	Durbin-Watson stat		2.389991
Prob(F-statistic)	0.000000			

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The table 4 reveals a negative significant relationship between ROA, Dividend payout, Equity issuance, Debt to total asset and Equity to total assets. The estimate of this equation reveals a positive intercept which stands at -0.2247274. This implies that when ROA is zero, all the explanatory variables would stand at -0.2247274. Finally, the test of goodness of fit reveals that the estimated relation has a negative fit. While both the R^2 and adjusted R^2, which stand at 45% and 33% respectively, revealed that about 45% of total variations in Dividend payout, Equity issuance, Debt to total asset and Equity to total asset is explained by variations in ROA; the f-statistic, which reveals the joint significance of all estimated parameters in predicting the values of Dividend payout, Equity issuance, Debt to total asset and Equity to total asset, is statistically significant with a value of 3.803793 and a p-value of 0.000000

5. CONCLUSION AND RECOMMENDATIONS

This paper assesses the effect of corporate financial policies on firm value. In agreement with prior evidence from developed countries that show significant linkage between corporate financial policies and firm value, our findings indicate that dividend payout and equity issuance significantly impacted Tobin's q. In line with the work of Enekwe, Nweze and Agu (2015), this study also revealed based on the second hypothesis that ROA has no significant relationship with dividend payout, equity asset, debt assets and equity issuance during the period under study. Drawing from our research findings, recommendations are proffered as follows:

i. Insurance managers should devote adequate time in designing a dividend policy that will enhance firm's performance (ROA) and shareholder value. Again, the company should review its dividend policy in order to reduce agency cost and maximize the value of the company.
ii. For policy makers, regulations regarding equity issuance need to be reviewed in order to be flexible enough to encourage more firms to participate in seasoned equity offering.
iii. The negative relationship shows that firms must be careful on how much debt they take as this may undermine their return on assets. Management which does not pay heed to the costs and risks associated with financial leverage may be inadequate encourage lower profitability.
iv. Insurance firms in Nigeria should adopt pecking order in other to finance their capital through equity assets.

It can be concluded, based on the findings of this research that dividend policy is relevant and that managers should devote adequate time in designing a dividend policy that will enhance firm performance and therefore shareholder value.

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APPENDIX

Year	Company	Id	RETURN ON ASSET	TOBIN Q	EQUITY TO ASSET	DEBT TO ASSET	SHARE ISSUANCE	DIVIDEND PAYOUT
2011	African Alliance Insurance	1	-6.73	1.28	49.65	50.35	20,585,000	0.00
2012	African Alliance Insurance	1	-2.22	1.28	44.32	55.68	20,585,000	0.00
2013	African Alliance Insurance	1	7.20	1.18	34.60	65.40	20,585,000	0.00
2014	African Alliance Insurance	1	1.67	1.11	27.85	72.15	20,585,000	0.00
2015	African Alliance Insurance	1	-13.40	1.21	7.13	92.87	20,585,000	0.00
2016	African Alliance Insurance	1	6.67	1.10	12.67	87.33	20,585,000	0.00
2017	African Alliance Insurance	1	.	.	.	.	.	.
2011	Aiico	2	-0.10	0.82	33.89	66.11	9,155,161	-1,220.96
2012	Aiico	2	3.77	0.80	32.49	67.51	7,009,889	31.49
2013	Aiico	2	-1.76	0.88	25.11	74.89	6,400,225	-75.00
2014	Aiico	2	3.83	0.90	19.63	79.95	6,930,204	0.20
2015	Aiico	2	1.49	0.96	11.70	87.88	6,930,204	0.00
2016	Aiico	2	13.21	0.94	11.23	88.77	6,930,204	3.46
2017	Aiico	2	1.39	0.92	11.41	88.59	6,930,204	11.72
2011	AxaMansard	3	3.82	1.01	53.60	45.20	10,002,875	91.78
2012	AxaMansard	3	4.99	1.14	43.95	56.05	10,000,000	73.70
2013	AxaMansard	3	5.80	1.28	39.50	60.50	10,000,000	52.53
2014	AxaMansard	3	3.60	1.35	33.87	63.63	10,000,000	24.72
2015	AxaMansard	3	3.25	1.14	38.31	61.69	10,000,000	18.66
2016	AxaMansard	3	4.79	0.95	36.73	63.27	10,500,000	7.85
2017	AxaMansard	3	4.02	0.99	30.47	69.53	10,322,719	19.51
2011	Consolidated Hallmark	4	2.52	0.85	64.36	35.64	6,000,000	0.00
2012	Consolidated Hallmark	4	5.92	0.82	62.70	37.30	6,000,000	30.36
2013	Consolidated Hallmark	4	-3.20	0.89	59.17	40.83	6,000,000	-91.07
2014	Consolidated Hallmark	4	3.15	0.86	62.59	37.41	6,000,000	0.00
2015	Consolidated Hallmark	4	7.77	0.82	60.77	39.23	6,000,000	21.99
2016	Consolidated Hallmark	4	2.62	0.81	59.16	40.84	6,000,000	30.77
2017	Consolidated Hallmark	4	4.28	0.82	49.41	50.59	6,000,000	29.54
2011	Contiental Reinsurance	5	6.69	0.83	57.13	42.87	10,372,744	53.06
2012	Contiental Reinsurance	5	6.76	0.78	55.03	44.97	10,372,744	53.19
2013	Contiental Reinsurance	5	6.71	0.94	54.68	45.32	10,372,744	58.28
2014	Contiental Reinsurance	5	3.03	0.85	52.38	47.62	10,372,744	133.35
2015	Contiental Reinsurance	5	7.22	0.87	52.37	47.63	10,372,744	27.47
2016	Contiental Reinsurance	5	7.75	0.76	49.01	50.99	10,372,744	18.98
2017	Contiental Reinsurance	5	5.73	0.85	48.17	51.83	10,372,744	108.10
2011	Cornerstone Insurance	6	-2.57	0.90	50.00	50.00	8,820,010	0.00
2012	Cornerstone Insurance	6	4.19	0.87	49.50	50.50	8,820,010	0.00
2013	Cornerstone Insurance	6	6.08	0.86	48.78	51.22	8,820,010	0.00
2014	Cornerstone Insurance	6	6.51	0.77	53.38	46.62	8,820,010	0.00

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2015	***Cornerstone Insurance***	*6*	*7.78*	*0.78*	*57.57*	*42.43*	*14,729,507*	*10.82*
2016	***Cornerstone Insurance***	*6*	*-8.09*	*0.86*	*48.07*	*51.93*	*14,729,507*	*0.00*
2017	***Cornerstone Insurance***	*6*	*.*	*.*	*.*	*.*	*.*	*.*
2011	***Custodian & Allied Insurance***	*7*	*6.50*	*1.35*	*36.68*	*52.29*	*5,881,864*	*86.82*
2012	***Custodian & Allied Insurance***	*7*	*6.82*	*0.91*	*45.87*	*54.13*	*5,881,864*	*1.57*
2013	***Custodian & Allied Insurance***	*7*	*7.89*	*0.84*	*42.76*	*57.24*	*5,881,864*	*0.00*
2014	***Custodian & Allied Insurance***	*7*	*8.37*	*0.96*	*47.14*	*52.86*	*5,881,864*	*25.38*
2015	***Custodian & Allied Insurance***	*7*	*7.32*	*0.97*	*45.45*	*54.55*	*5,881,864*	*26.21*
2016	***Custodian & Allied Insurance***	*7*	*7.83*	*0.89*	*44.20*	*55.80*	*5,881,864*	*25.88*
2017	***Custodian & Allied Insurance***	*7*	*8.14*	*0.85*	*40.38*	*59.62*	*5,881,866*	*24.83*
2011	***Equity Assurance***	*8*	*-9.34*	*1.08*	*49.70*	*50.30*	*8,847,298*	*-2.63*
2012	***Equity Assurance***	*8*	*1.67*	*1.02*	*47.51*	*52.49*	*8,847,298*	*0.00*
2013	***Equity Assurance***	*8*	*-4.52*	*1.06*	*39.75*	*60.25*	*8,847,298*	*0.00*
2014	***Equity Assurance***	*8*	*1.93*	*1.04*	*42.23*	*57.77*	*8,847,298*	*6.10*
2015	***Equity Assurance***	*8*	*-4.90*	*1.08*	*50.67*	*49.33*	*14,000,000*	*0.00*
2016	***Equity Assurance***	*8*	*0.00*	*1.16*	*52.10*	*47.90*	*14,000,000*	*0.00*
2017	***Equity Assurance***	*8*	*0.05*	*1.24*	*37.71*	*62.29*	*14,000,000*	*0.00*
2011	***International Energy Insurance***	*9*	*0.59*	*1.45*	*6.07*	*93.93*	*9,036,724*	*0.00*
2012	***International Energy Insurance***	*9*	*-3.63*	*1.25*	*3.58*	*96.42*	*6,420,427*	*0.00*
2013	***International Energy Insurance***	*9*	*0.13*	*1.03*	*3.38*	*96.62*	*1,284,085*	*0.00*
2014	***International Energy Insurance***	*9*	*-24.78*	*1.25*	*-17.43*	*117.43*	*1,284,085*	*0.00*
2015	***International Energy Insurance***	*9*	*-8.80*	*1.34*	*-26.28*	*126.28*	*1,284,085*	*0.00*
2016	***International Energy Insurance***	*9*	*.*	*.*	*.*	*.*	*.*	*.*
2017	***International Energy Insurance***	*9*	*.*	*.*	*.*	*.*	*.*	*.*
2011	***Lasasco Assurance***	*10*	*2.34*	*0.82*	*56.62*	*43.38*	*7,657,033*	*0.00*
2012	***Lasasco Assurance***	*10*	*-2.15*	*0.89*	*47.28*	*52.72*	*8,500,800*	*0.00*
2013	***Lasasco Assurance***	*10*	*2.05*	*0.82*	*43.81*	*56.19*	*6,883,500*	*0.00*
2014	***Lasasco Assurance***	*10*	*3.32*	*0.84*	*43.81*	*56.19*	*7,334,343*	*0.00*
2015	***Lasasco Assurance***	*10*	*1.76*	*0.82*	*40.78*	*59.22*	*7,334,343*	*0.00*
2016	***Lasasco Assurance***	*10*	*4.89*	*0.78*	*40.69*	*59.31*	*7,334,343*	*0.00*
2017	***Lasasco Assurance***	*10*	*3.56*	*0.76*	*43.92*	*56.08*	*7,334,343*	*33.24*
2011	***Lawunion & Rock***	*11*	*3.30*	*0.60*	*63.07*	*36.93*	*3,437,330*	*68.85*
2012	***Lawunion & Rock***	*11*	*-20.21*	*0.73*	*53.23*	*46.77*	*3,437,330*	*0.00*
2013	***Lawunion & Rock***	*11*	*7.03*	*0.64*	*60.39*	*39.61*	*3,437,330*	*0.00*
2014	***Lawunion & Rock***	*11*	*1.72*	*0.66*	*57.34*	*42.66*	*3,437,330*	*0.00*
2015	***Lawunion & Rock***	*11*	*3.40*	*0.76*	*53.89*	*46.11*	*3,437,330*	*0.00*
2016	***Lawunion & Rock***	*11*	*6.55*	*0.73*	*58.73*	*41.27*	*3,437,330*	*0.00*
2017	***Lawunion & Rock***	*11*	*9.08*	*0.69*	*64.45*	*35.55*	*4,296,330*	*0.00*
2011	***Linkage Assurance***	*12*	*2.10*	*0.72*	*77.86*	*22.14*	*7,999,999*	*0.00*
2012	***Linkage Assurance***	*12*	*1.04*	*0.44*	*87.61*	*12.39*	*7,999,999*	*0.00*
2013	***Linkage Assurance***	*12*	*2.34*	*0.43*	*86.64*	*13.36*	*7,998,792*	*0.00*
2014	***Linkage Assurance***	*12*	*1.81*	*0.43*	*86.71*	*13.29*	*7,998,792*	*0.00*
2015	***Linkage Assurance***	*12*	*2.63*	*0.43*	*83.67*	*16.33*	*7,998,792*	*0.00*
2016	***Linkage Assurance***	*12*	*2.68*	*0.45*	*81.31*	*18.69*	*7,998,792*	*0.00*

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2017	***Linkage Assurance***	*12*	*.*	*.*	*.*	*.*	*.*	*.*
2011	***Mutual Benefit Assurance***	*13*	*3.39*	*0.90*	*27.53*	*72.37*	*8,000,000*	*0.00*
2012	***Mutual Benefit Assurance***	*13*	*-9.71*	*1.08*	*6.15*	*92.89*	*8,000,000*	*0.00*
2013	***Mutual Benefit Assurance***	*13*	*1.72*	*1.05*	*6.64*	*92.61*	*8,000,000*	*0.00*
2014	***Mutual Benefit Assurance***	*13*	*9.67*	*0.95*	*14.70*	*85.30*	*8,000,000*	*0.00*
2015	***Mutual Benefit Assurance***	*13*	*1.93*	*0.92*	*16.31*	*83.41*	*8,000,000*	*0.00*
2016	***Mutual Benefit Assurance***	*13*	*-2.62*	*0.94*	*13.39*	*86.37*	*8,000,000*	*0.00*
2017	***Mutual Benefit Assurance***	*13*	*1.74*	*0.93*	*14.04*	*85.96*	*7,999,500*	*0.00*
2011	***Nem Insurance***	*14*	*4.01*	*0.78*	*65.73*	*34.27*	*5,065,880*	*104.24*
2012	***Nem Insurance***	*14*	*5.83*	*0.81*	*55.07*	*44.93*	*5,059,022*	*57.99*
2013	***Nem Insurance***	*14*	*3.93*	*0.95*	*46.74*	*53.26*	*5,643,714*	*0.00*
2014	***Nem Insurance***	*14*	*13.62*	*0.78*	*52.38*	*47.62*	*5,280,503*	*41.54*
2015	***Nem Insurance***	*14*	*5.72*	*0.79*	*49.66*	*50.34*	*5,280,503*	*44.39*
2016	***Nem Insurance***	*14*	*12.54*	*0.87*	*51.07*	*48.93*	*5,280,503*	*17.43*
2017	***Nem Insurance***	*14*	*15.80*	*0.94*	*55.44*	*44.56*	*5,280,503*	*15.22*
2011	***Niger Insurance***	*15*	*6.16*	*0.98*	*27.30*	*78.91*	*7,745,988*	*0.00*
2012	***Niger Insurance***	*15*	*3.48*	*0.84*	*32.98*	*67.02*	*7,745,988*	*0.00*
2013	***Niger Insurance***	*15*	*2.53*	*0.83*	*33.02*	*66.98*	*7,745,988*	*0.00*
2014	***Niger Insurance***	*15*	*3.03*	*0.80*	*36.66*	*63.34*	*7,745,988*	*72.81*
2015	***Niger Insurance***	*15*	*2.86*	*0.77*	*41.29*	*58.71*	*7,739,495*	*45.07*
2016	***Niger Insurance***	*15*	*0.19*	*0.79*	*38.26*	*61.74*	*7,739,495*	*642.91*
2017	***Niger Insurance***	*15*	*.*	*.*	*.*	*.*	*.*	*.*
2011	***Prestige Assurance***	*16*	*-0.56*	*0.93*	*44.96*	*55.04*	*2,513,696*	*-371.87*
2012	***Prestige Assurance***	*16*	*6.22*	*0.73*	*39.87*	*60.13*	*2,508,399*	*8.32*
2013	***Prestige Assurance***	*16*	*-0.90*	*0.71*	*43.55*	*56.45*	*2,509,282*	*0.00*
2014	***Prestige Assurance***	*16*	*0.12*	*0.72*	*38.47*	*61.53*	*2,508,000*	*0.00*
2015	***Prestige Assurance***	*16*	*-1.40*	*0.65*	*57.79*	*42.21*	*4,654,000*	*0.00*
2016	***Prestige Assurance***	*16*	*-1.22*	*0.60*	*64.28*	*35.72*	*4,654,000*	*0.00*
2017	***Prestige Assurance***	*16*	*4.52*	*0.59*	*63.76*	*36.24*	*5,370,432*	*0.00*
2011	***Regency Aliance Ins***	*17*	*-0.17*	*1.02*	*67.96*	*32.04*	*6,473,333*	*-1,716.98*
2012	***Regency Aliance Ins***	*17*	*8.14*	*0.97*	*64.95*	*35.05*	*6,665,622*	*30.31*
2013	***Regency Aliance Ins***	*17*	*7.63*	*0.90*	*62.66*	*35.79*	*6,668,750*	*0.00*
2014	***Regency Aliance Ins***	*17*	*6.49*	*0.86*	*100.00*	*36.55*	*6,668,750*	*1.02*
2015	***Regency Aliance Ins***	*17*	*5.12*	*0.82*	*62.07*	*36.37*	*6,668,750*	*0.00*
2016	***Regency Aliance Ins***	*17*	*7.22*	*0.70*	*60.10*	*30.18*	*6,668,750*	*32.73*
2017	***Regency Aliance Ins***	*17*	*2.96*	*0.80*	*56.32*	*43.68*	*6,668,750*	*72.65*
2011	***Royal Exchange***	*18*	*-0.32*	*0.65*	*50.63*	*49.37*	*4,946,700*	*0.00*
2012	***Royal Exchange***	*18*	*3.83*	*0.66*	*49.86*	*50.14*	*5,199,458*	*20.08*
2013	***Royal Exchange***	*18*	*0.55*	*0.70*	*44.54*	*55.46*	*5,610,700*	*183.41*
2014	***Royal Exchange***	*18*	*0.58*	*0.76*	*34.39*	*65.61*	*5,145,370*	*224.54*
2015	***Royal Exchange***	*18*	*-4.90*	*0.82*	*28.00*	*72.00*	*5,145,370*	*-7.92*
2016	***Royal Exchange***	*18*	*-3.09*	*0.88*	*20.14*	*79.86*	*5,145,370*	*0.00*
2017	***Royal Exchange***	*18*	*.*	*.*	*.*	*.*	*.*	*.*
2011	***Sovereign Trust***	*19*	*8.83*	*1.17*	*32.41*	*67.59*	*5,988,256*	*28.97*

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2012	**Sovereign Trust**	19	20.76	1.01	44.13	55.87	6,418,935	18.62
2013	**Sovereign Trust**	19	4.01	1.08	40.27	59.73	8,340,823	0.00
2014	**Sovereign Trust**	19	3.47	1.00	48.99	51.01	8,340,823	0.00
2015	**Sovereign Trust**	19	6.28	0.91	54.24	45.76	8,340,823	0.00
2016	**Sovereign Trust**	19	0.25	0.89	55.04	44.96	8,340,823	0.00
2017	**Sovereign Trust**	19	1.40	.	50.58	49.42	8,340,824	0.00
2011	**Staco Insurance**	20	-25.43	1.08	28.79	71.21	5,284,711	0.00
2012	**Staco Insurance**	20	3.44	1.04	30.41	69.59	5,446,720	0.00
2013	**Staco Insurance**	20	5.45	0.98	36.08	64.08	5,802,088	0.00
2014	**Staco Insurance**	20	1.82	0.97	33.30	66.70	6,141,087	0.00
2015	**Staco Insurance**	20	0.77	0.96	31.91	68.09	6,141,087	0.00
2016	**Staco Insurance**	20	-17.29	0.93	35.83	64.17	6,141,087	0.00
2017	**Staco Insurance**	20	.	.	.	.	.	.
2011	**Standard Alliance Insurance**	21	0.07	0.96	63.87	36.13	11,365,000	0.00
2012	**Standard Alliance Insurance**	21	-22.66	1.13	54.55	45.45	11,991,896	0.00
2013	**Standard Alliance Insurance**	21	-10.02	1.14	54.36	45.64	11,985,605	-19.87
2014	**Standard Alliance Insurance**	21	-26.95	1.33	44.26	55.74	11,993,000	0.00
2015	**Standard Alliance Insurance**	21	7.53	1.11	39.47	60.53	11,993,000	0.00
2016	**Standard Alliance Insurance**	21	-10.30	1.10	35.73	64.27	11,993,000	0.00
2017	**Standard Alliance Insurance**	21	.	.	.	.	.	.
2011	**Unic Insurance**	22	-2.36	0.72	47.97	52.03	2,385,550	-0.77
2012	**Unic Insurance**	22	-5.99	0.75	46.22	53.78	2,582,296	-0.38
2013	**Unic Insurance**	22	-23.14	0.94	31.45	68.55	2,582,296	0.00
2014	**Unic Insurance**	22	-15.38	1.08	21.02	78.98	2,582,296	0.00
2015	**Unic Insurance**	22	.	.	.	.	.	.
2016	**Unic Insurance**	22	.	.	.	.	.	.
2017	**Unic Insurance**	22	.	.	.	.	.	.
2011	**Unitykapital Assurance**	23	1.28	0.79	90.18	9.82	13,866,666	0.00
2012	**Unitykapital Assurance**	23	3.35	0.77	87.38	12.62	13,866,666	35.75
2013	**Unitykapital Assurance**	23	2.52	0.80	85.92	14.08	13,866,666	105.04
2014	**Unitykapital Assurance**	23	1.34	0.78	87.70	11.97	13,866,666	0.00
2015	**Unitykapital Assurance**	23	2.82	0.75	81.95	14.67	13,866,666	0.00
2016	**Unitykapital Assurance**	23	1.55	0.68	83.04	12.21	13,866,666	111.28
2017	**Unitykapital Assurance**	23	.	.	.	.	.	.
2011	**Universal Insurance**	24	-5.29	0.84	79.34	20.66	16,000,000	0.00
2012	**Universal Insurance**	24	1.20	0.82	77.92	21.03	16,000,000	0.00
2013	**Universal Insurance**	24	1.99	0.82	78.26	21.74	16,000,000	0.00
2014	**Universal Insurance**	24	3.23	0.80	79.47	20.53	16,000,000	0.00
2015	**Universal Insurance**	24	-1.37	0.80	78.54	21.46	16,000,000	0.00
2016	**Universal Insurance**	24	.	.	.	.	.	.
2017	**Universal Insurance**	24	.	.	.	.	.	.
2011	**Wapic Insurance**	25	2.89	0.61	60.92	39.08	5,061,804	0.00
2012	**Wapic Insurance**	25	3.02	0.63	60.13	39.87	5,061,804	0.00
2013	**Wapic Insurance**	25	-0.93	0.61	63.57	36.43	5,061,804	0.00

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2014	***Wapic Insurance***	*25*	*1.07*	*0.74*	*64.38*	*35.62*	*13,382,738*	*0.00*
2015	***Wapic Insurance***	*25*	*5.48*	*0.65*	*63.15*	*36.85*	*13,382,738*	*0.00*
2016	***Wapic Insurance***	*25*	*2.26*	*0.62*	*63.96*	*36.04*	*13,382,738*	*68.51*
2017	***Wapic Insurance***	*25*	*5.35*	*0.61*	*62.78*	*37.22*	*13,382,738*	*26.23*

Source: Annual financial report of listed insurance firms in Nigeria

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