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Determinants of Share Price of Quoted Insurance Companies in Nigeria

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Abstract

This study investigates the determinants of share price of quoted insurance companies in Nigeria. The Nigerian insurance sector plays a vital role in financial intermediation but has recorded relatively low stock market performance compared to other financial institutions. Using an ex-post facto and panel research design, the study analyzed data from sixteen listed insurance companies between 2013 and 2022. The independent variables examined include price earnings ratio, firm size, inflation, return on equity, and board financial expertise. Findings reveal that firm size and return on equity significantly influence share prices, while price earnings ratio and inflation exert varying but less consistent effects. Board financial expertise demonstrates a positive relationship with share price, underscoring the importance of governance in investor confidence. The study concludes that both firm-specific and macroeconomic factors jointly explain share price movements, with implications for managers, policymakers, and investors in the Nigerian capital market. The study recommends among others that, Management should implement strategies aimed at improving operational efficiency and shareholder returns.

Keywords: Share price, insurance companies, Nigeria, firm size, return on equity, inflation, board expertise

1.Introduction

The share price of a company is one of the most important indicators of its market value and financial health. It reflects investors' perceptions of the firm's current performance, future earnings prospects, risk profile, and overall corporate governance quality. In an efficient capital market, share prices respond to both firm-specific information and macroeconomic conditions, making the identification of factors influencing share prices a critical concern for investors, regulators, and corporate managers (Fama, 1970).

The Nigerian insurance industry has witnessed remarkable growth in recent years due to regulatory reforms, digital transformation, increased insurance awareness, and efforts to deepen market penetration. According to the National Insurance Commission (NAICOM), the industry's gross written premium increased from ₦1.003 trillion in 2023 to ₦1.562 trillion in 2024, representing a growth rate of about 56 percent, while total industry assets rose to approximately ₦3.9 trillion. Furthermore, the industry recorded gross premium written of ₦2.30 trillion in 2025, indicating sustained growth despite prevailing macroeconomic challenges. These developments have enhanced the relevance of quoted insurance companies in the Nigerian capital market and increased investors' interest in understanding the determinants of their share prices.

Despite the growth of the insurance sector, the share prices of many quoted insurance companies in Nigeria continue to exhibit significant fluctuations. Such fluctuations may be influenced by company-specific factors such as profitability, valuation metrics, firm characteristics, and board competence, as well as macroeconomic conditions. Among the firm-specific variables, the price earnings ratio (PER) is widely recognized as a measure of market expectations regarding future earnings and growth opportunities. A higher PER often signals positive investor expectations and may lead to higher stock valuations (Brigham & Ehrhardt 2019). Similarly, return on equity (ROE) measures the efficiency with which management utilizes shareholders' funds to generate profits, making it an important determinant of investors' confidence and share price performance (Gitman & Zutter 2015).

Ross et al. (2019), firm size is another factor that may influence share price because larger firms tend to enjoy greater market visibility, stronger financial capacity, and lower perceived risk, thereby attracting more investors. At the macroeconomic level, inflation affects the purchasing power of consumers, firms' operating costs, and expected returns on investment, which can significantly influence stock market performance and share valuation Fama (1981). In addition, board financial expertise has become increasingly important in contemporary corporate governance literature because directors with adequate financial knowledge are better equipped to monitor management, enhance financial reporting quality, and make strategic decisions that improve firm value.

Although previous studies have examined the determinants of share price in different sectors and countries, empirical evidence focusing specifically on quoted insurance companies in Nigeria remains limited, particularly regarding the combined effects of financial indicators, macroeconomic conditions, and board characteristics. Given the growing importance of the Nigerian insurance industry and the need to enhance investor confidence and market efficiency, it is essential to investigate the factors that drive the share prices of quoted insurance companies. Therefore, this study examines the influence of price earnings ratio, return on equity, firm size, inflation, and board financial expertise on the share prices of quoted insurance companies in Nigeria.

Statement of Problems

Share price is an important indicator of a company's financial performance, market value, and investor confidence. Although the Nigerian insurance sector plays a significant role in the country's financial system, the share prices of many quoted insurance companies remain volatile and undervalued compared to those of firms in sectors such as banking and oil and gas. This situation persists despite regulatory reforms and recapitalization efforts by the National Insurance Commission (NAICOM).

Existing studies on the determinants of share prices in Nigeria have largely concentrated on the banking, manufacturing, and oil and gas sectors, with limited attention given to insurance companies. In addition, challenges such as low insurance penetration, weak investor confidence, economic uncertainty, inflationary pressures, exchange rate volatility, and slow economic growth may influence the market valuation of insurance firms. Empirical evidence on the effects of firm-specific factors such as price earnings ratio (PER), return on equity (ROE), and firm size has produced mixed results, creating uncertainty regarding their influence on share prices. Consequently, there is a need for further investigation into the determinants of share prices of quoted insurance companies in Nigeria to provide evidence that can guide investors, managers, and policymakers in enhancing the performance and valuation of insurance stocks.

Objectives of the Study

The main objective of the study is to examine the determinants of share price of quoted insurance companies in Nigeria. Specifically, the study seeks to:

1. Examine the effect of price-earnings ratio on share price of quoted insurance companies in Nigeria.

2. Investigate the effect of return on equity on share price of quoted insurance companies in Nigeria.
3. Determine the effect of firm size on share price of quoted insurance companies in Nigeria.
4. Examine the effect of inflation rate on share price of quoted insurance companies in Nigeria.
5. Investigate the effect of board financial expertise on share price of quoted insurance companies in Nigeria.

2. Conceptual Review

Concept of Share Price

Share price refers to the monetary value at which a company's stock is bought and sold in the capital market at a given point in time. According to Brealey et al. (2020), the market price of a share is determined by the present value of expected future cash flows accruing to shareholders. Similarly, Pandey (2021) describes share price as the amount investors are willing to pay for ownership claims in a company based on available information regarding its profitability and growth prospects. In the Nigerian insurance sector, share prices serve as indicators of market confidence and corporate performance.

Price-Earnings Ratio and Share Price

The price-earnings ratio (P/E ratio) is a valuation measure that expresses the relationship between a firm's market price per share and its earnings per share. It indicates how much investors are willing to pay for one naira of current earnings. Brigham and Ehrhardt (2019) assert that firms with higher P/E ratios are generally perceived as having better growth opportunities, which often translates into higher share prices. Investors interpret a high P/E ratio as a signal of favourable future earnings expectations. Empirically, Uwuigbe et al. (2012) reported that earnings-related measures significantly influence share prices of listed firms in Nigeria, suggesting that valuation ratios such as P/E are important determinants of stock market performance.

Return on Equity and Share Price

Return on equity (ROE) measures the efficiency with which a firm utilizes shareholders' funds to generate profits. It is calculated as net income divided by shareholders' equity. Gitman and Zutter (2015) contend that a higher ROE demonstrates management's effectiveness in maximizing shareholders' wealth, thereby attracting investors and increasing demand for the firm's shares. Consequently, companies with higher ROE are expected to experience increases in their market

value and share prices. In Nigeria, studies such as Uwuigbe et al. (2012) have found that profitability indicators significantly affect share price movements among listed companies.

Firm Size and Share Price

Firm size refers to the magnitude of a company's operations and is commonly measured by the natural logarithm of total assets, total sales, or market capitalization. Larger firms are often considered more stable, diversified, and less susceptible to business risks than smaller firms. According to Ross et al. (2019), firm size enhances investor confidence because larger firms possess greater access to resources and financing opportunities. Consequently, firm size may positively influence share prices. In the insurance industry, large firms may benefit from economies of scale and stronger market reputation, making their shares more attractive to investors.

Inflation and Share Price

Inflation refers to the persistent increase in the general price level of goods and services within an economy over time. High inflation reduces purchasing power, increases operational costs, and creates uncertainty regarding future cash flows. Fama (1981) argued that inflation may negatively affect share prices because it lowers real investment returns and discourages investment activities. Similarly, Bodie et al. (2021) note that unexpected inflation can adversely affect equity valuations by increasing discount rates and reducing expected profits. In the studied of Malaolu et al. (2013) found that inflation significantly influences share price movements, indicating that macroeconomic conditions are important determinants of share price behaviour.

The Theoretical Review

The theoretical framework of this study is Efficient Market Hypothesis (EMH), developed by Eugene Fama (1970), posits that share prices fully incorporate all available information at any given time. This implies that investors cannot consistently achieve abnormal returns because share prices adjust rapidly to new information.

Fama (1970) stated that “security prices always fully reflect available information.” The theory exists in three forms: weak, semi-strong, and strong, depending on the level of information reflected in share prices. The study seeks to investigate whether variables such as price earnings ratio, return on equity, firm size, inflation, and board financial expertise determine share prices, EMH provides the theoretical basis that these factors affect share prices only to the extent that they convey valuable information to investors (Fama, 1970). Under the semi-strong form of

market efficiency, publicly available information contained in financial statements, macroeconomic indicators, and corporate governance disclosures is expected to be reflected in share prices.

The EMH provides the theoretical underpinning for this study because it posits that share prices reflect all publicly available information. Variables such as price earnings ratio, return on equity, firm size, inflation, and board financial expertise represent information signals that investors use in assessing the value of quoted insurance companies. Therefore, if the Nigerian stock market exhibits semi-strong efficiency, changes in these variables should be reflected in the share prices of quoted insurance companies.

Empirical Review

Ilugbo et al. (2024) examined the effect of human resource accounting on the share price performance of listed insurance firms in Nigeria. The study employed an ex-post facto research design using data from 13 listed insurance companies covering the period 2012 to 2021. A random effects regression model was adopted for analysis. The findings revealed that human capital efficiency and capital employed efficiency had a positive and significant effect on share price performance, whereas the value-added intellectual capital coefficient exhibited a significant negative effect. The study concluded that investments in human capital could enhance the market valuation of insurance firms. Similarly, Ebirim and Inuwa (2024) investigated the effect of dividend policy on the market value of listed insurance firms in Nigeria. Using a longitudinal research design, the study analysed data from 10 insurance firms over the period 2009 to 2023 through panel multiple regression techniques. The findings indicated that dividend yield exerted a positive and significant effect on market value, while dividend payout ratio had a negative but insignificant effect. The study suggested that investors in the Nigerian insurance industry place greater emphasis on dividend returns when valuing firms. Most studies focused on earnings per share, dividend policy, and intellectual capital, with limited attention given to price earnings ratio, return on equity, firm size, inflation, and board financial expertise. Existing studies rarely incorporate board financial expertise as a determinant of share price among quoted insurance companies in Nigeria.

Lulu et al. (2022) conducted a study on the influence of the financial performance of property and real estate companies on the company's share price. The study used secondary data on the

financial statements of property and real estate companies registered on the Indonesia Stock Exchange (IDX) for the period 2015 to 2019. The number of registered companies was 64, but the study used purposive sampling technique to selected 15 companies to form the sample size of the study. Linear regression was used to analyze the data. The results of the study showed that the current ratio affects the share price with a significance value of 0.025. Earnings per share affect the share price with a significance value of 0.000, and total asset turnover has a significant influence with a value of 0.024 on the share price. The property and real estate companies were used as domains with a five-year study period. However, the study was limited to the property and real estate sector and covered only a five-year period. This present study addresses that gap by focusing on insurance companies and extending the study period to ten years.

Ery et al. (2021) examined the influence of return on asset, return on equity, net profit margin, debt-to-equity ratio and current ratio to share price as determinants of share price of manufacturing companies in Indonesia Stock Exchange. The population of the study was all manufacturing companies listed on the Indonesia Stock Exchange (IDX). The technique of determining the sample was the purposive sampling method and three companies out of 35 were selected from 2016 to 2018. The study contains six variables, which are one dependent variable (share price) and five independent variables (return on asset, return on equity, net profit margin, debt equity ratio, and current ratio). The result shows that there is no significant relationship between return on asset and share price. While return on equity, net profit margin, debt equity ratio, and current ratio were positively correlated to share price. However, the study was limited by its small sample size and short time frame. This present study addresses these gaps by incorporating additional variables such as board financial expertise and inflation, while also extending the study period.

3. Methodology

Table 1: Population of the Study

S/N	Company	Year of Incorporation	Year of Listing
1	AIICO Insurance Plc	1963	1990
2	AXA Mansard Insurance Plc	1989	2009
3	Consolidated Hallmark Insurance Plc	1991	2005
4	Cornerstone Insurance Plc	1991	1997
5	Guinea Insurance Plc	1958	1990
6	Lasaco Assurance Plc	1979	1991
7	Law Union and Rock Insurance Plc	1969	1990

8	Linkage Assurance Plc	1991	2003
9	Mutual Benefit Insurance Plc	1995	2002
10	NEM Insurance Plc	1970	1990
11	Niger Insurance Plc	1962	1993
12	Prestige Assurance Plc	1970	1990
13	Sovereign Trust Insurance Plc	1994	2006
14	Staco Insurance Plc	1991	1994
15	Standard Alliance Insurance Plc	1981	2003
16	SUNU Assurances Nigeria Plc	1984	2007
17	Universal Insurance Plc	1961	2009
18	VeritasKapital Assurance Plc	1973	2009
19	International Energy Insurance Plc	1969	2007
20	Regency Alliance Insurance Plc	1993	2008
21	Coronation Insurance Plc	1958	1990
22	Great Nigerian Insurance Plc	1960	2006
23	Royal Exchange Insurance Plc	1969	1990

Source: NGX (2022)

The study adopted a quantitative research design, combining ex-post facto and panel analysis. The population consists of twenty-three insurance companies as seen in table 1 listed on the Nigerian Exchange Group (NGX) as at 31st December 2022. It covers a period of ten years from 2013 to 2022. The ten (10) years period is chosen in order to have a reliable and adequate financial data to enable the researcher achieve the objectives of the study. Consequent upon that, for an insurance company to be included in the sample, the company must have been listed on or before 1st January 2013 and must not have been delisted between 2013 and 2022. Using filtering criteria, sixteen companies formed the sample. Data on share price and firm-specific variables were obtained from annual reports of insurance firms, while inflation data was sourced from the National Bureau of Statistics.

The dependent variable is share price, while independent variables include price earnings ratio, firm size, return on equity, inflation, and board financial expertise. The variables represent factors that may influence investors valuation of insurance companies and consequently, their share price. Thus, EMH provides a strong theoretical foundation for examining how PER, ROE, firm size, inflation and board financial expertise influence the share prices of quoted insurance companies in Nigeria since these variables represent publicly available information that investors use in valuing firms. Multiple regression analysis was employed to test hypotheses regarding the impact of these variables on share price.

The model for this study is presented below:

$$SP_{it} = \beta_0 + \beta_1 PER_{it} + \beta_2 INFL_{it} + \beta_3 ROE_{it} + \beta_4 FS_{it} + \beta_5 BFE_{it} + e_{it}$$

Table 2: Variables and Measurement

Variables	Acronyms	Measurement	Source
Share price	SP	annual closing price of share as at the last trading of the year	Ilugbo et al. (2024)
Price earnings ratio	PER	the market value of a share divided by earnings per share	Pankaj, (2017); Nagendra et al., (2018)
Inflation	INFL	monthly percentage change in the cost to the average consumer of acquiring a basket of goods and services	National Bureau of Statistics (2022)
Return on equity	ROE	Net profit divided by total equity	Ebirim and Inuwa (2024)
Firm Size	FS	Log of total assets	Wiantini & Mertha, (2021)
Board financial expertise	BFE	proportion of financial expertise with ANAN, ICAN and ACCA qualification	Tanko et al., (2021)

Source: Researcher's compilation 2022

4. Result and Discussion

Table 3: Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max	Obs
SP	0.6765	0.6781	0.2	4.5	160
PER	12.3704	40.2210	-64	450	160
FS	7.2171	0.3487	6.54	8.39	160
INFL	13.02	3.6723	8	18.85	160
ROE	0.0600	0.1463	-0.36	1.22	160
BFE	0.4002	0.3386	0	1	160

Source: STATA 14. 0 Output

Note: SP= Share Price, PER=Price Earnings Ratio, FS= Firm Size, INFL= Inflation, ROE= Return on Equity, BFE= Board Financial Expertise

Table 3 shows that the mean value of share price is 0.6765, implying that on average, the share price of listed insurance companies during the period of study is about ₦0.68, the standard deviation is 0.6781, suggesting wide variation in share price among listed insurance companies during the period. The minimum share price is ₦0.2 while the maximum is ₦4.5.

The mean value of price earnings ratio is 12.3704. This indicates that, on average, investors are willing to pay 12.37 times the earning per share for the company's share. This means that for every ₦1 of earnings, investors are paying ₦12.37 to purchase the share. The standard deviation is 40.2210, implied that there is wide variability in the price earnings ratio of listed insurance companies in Nigeria during the period of study. The minimum price earnings ratio is -64. This

suggests that, during the period of the study, some insurance companies had negative earnings per share or they must have reported net loss during period or it could be that their expenses exceed their revenues. However, the maximum value of 450 suggests that investors are willing to pay a very high price each naira of company's earnings, likely because they expect substantial future growth in earning.

Also, firm size has a mean value of 7.2171, indicates a modest average size for firms in the listed insurance companies. This could reflect competitive pressures, and opportunities for consolidation. The standard deviation of 0.3487 suggests that there is relatively low dispersion in firm size of listed insurance companies during the period of study. The minimum and maximum value of firm size is 6.54 and 8.39 respectively.

In addition, Table 3 shows that the average value of inflation is 13.02% suggests that the Nigerian economy was experiencing significant price increases over the time period analysed. This has substantial impact as it erodes purchasing power, increases production costs, and alters investment and consumption patterns on various sectors of the economy, including the insurance industry. The standard deviation of 3.6723 suggests that the inflation rates varied significantly, indicating a period of high inflation volatility, which could create challenges for economic stability, business planning, and consumer behaviour. The minimum value of inflation rate is 8% while the maximum is 18.85%.

Furthermore, the mean value of return on equity is 0.0600. Indicate that, on average, insurance companies generate 6% return on shareholders' equity. This suggests that for every ₦1 of equity, Nigerian insurance companies, on average generate ₦0.06 in profit. The standard deviation of 0.1463 indicates that there is significant dispersion in the ROE across the sampled insurance companies. The minimum value of -0.36 indicates that some insurance companies experienced substantial net loss, resulting in negative return on their return on equity. However, the maximum value of 1.22 signifies that some insurance companies were able to generate high return on their equity during the period.

Lastly, Table 3 shows that the mean value of board financial expertise is 0.4002. This implies that about 40% of the listed insurance companies have board members with financial expertise. The standard deviation of 0.3386 suggests that there is significant dispersion in the level of board

financial expertise across the sampled insurance companies. The minimum value of board members with financial expertise is 0 and the maximum is 1.

Table 4: Spearman Correlation Matrix of the Variables

Variables	SP	PER	FS	INFL	ROE	BFE
SP	1.0000					
PER	0.2246	1.0000				
FS	0.3981	-0.0978	1.0000			
INFL	-0.0483	-0.0965	0.2565	1.0000		
ROE	0.3364	0.1486	0.3627	0.0259	1.0000	
BFE	-0.1169	-0.2167	0.1580	0.1456	0.1247	1.0000

Source: STATA 14. 0 Outputs

As indicated in Table 4, the relationship between share price and price earnings ratio with the coefficient 1.0000 is positive, but relatively weak. It therefore means that share price and price earnings ratio move in the same direction, as share price increases, price earnings ratio tends to increase. Also, the relationship between share price and firm size is moderately positive as indicated by the coefficient of 0.3981. It implies that share price and firm size move in the same direction, implying that firm size increases when share price increase.

More so, Table 4 depicts that the relationship between inflation and share price is weak and negative as indicated by the coefficient of -0.0483. It is an indication that inflation and share price move in opposite direction, signifying that a rise in inflation rate would lead to a decrease in share price and vice versa. The result reveals that the relationship between share price and return on equity is moderately positive as indicated by the coefficient of 0.3364. This implies that insurance companies with higher profitability, as measured by ROE, tend to have impressive market price. Lastly, it also reveals that the relationship between share price and board financial expertise is weak and negative as indicated by the coefficient of -0.1169. This suggests that insurance companies with lower levels of financial expertise on their boards tend to have slightly higher share prices, all else being equal.

Regression Analysis

The summary of the regression results of the random effect is depicted in Table 4.

Table 4 Regression Result

Random Effect			
Variables	Coefficient	Z	Prob
Constant	-3.5376	-1.29	0.199
PER	0.0054	11.73	0.000
FS	0.5799	1.50	0.134
INFL	-0.0070	-0.75	0.453
ROE	0.0515	0.41	0.681
BFE	0.1230	0.42	0.675
R ² :			
Within	0.2991		
Between	0.3771		
Overall	0.3262		
Wald chi2(5)	158.38		
Prob(F-Stat)	0.0000		

Source: STATA 14. 0 Output

Table 4 shows the coefficients and z-statistics of the random effect regression. The results show that the overall R-Square value is 0.3262. This means that the independent variables (price earnings ratio, inflation, return on equity and board financial expertise) collectively explain approximately 33% of the variation in the share price of listed insurance companies during the period of study. The remaining 67% could be attributed to other factors not captured in the model. The Wald Chi-square statistic of 158.38 and the p-value associated with it indicates that each of the explanatory variables has a statistically significant effect on the dependent variable and the overall model a good fit for the data. It also means that the data can be used for further analysis and inference.

More so, Table 4 shows that the coefficient of price earnings ratio is 0.005484. This means one-unit increase in price earnings ratio increases share price by approximately ₦0.55 of the sample insurance companies. The result of the random effect model also shows inflation coefficient value is -0.007019. This means approximately ₦0.007 decrease in share price of sample insurance companies. The result also shows the coefficient of return on equity is 0.0515. It means approximately ₦0.052 increase in share price of sampled insurance companies. Furthermore, the result reveals that a rise in the number of board members with financial expertise will lead to ₦0.123 increase in share price because the coefficient of board financial expertise is 0.1230, signifying that board financial expertise positively affects the share price.

Discussion

The study found that the price-earnings ratio has a positive and significant effect on share prices of listed insurance companies in Nigeria, indicating investor confidence in firms with higher growth potential (Enow & Brijlal, 2016; Godwin et al., 2019), though this contrasts with Zeeshan et al. (2015) and Jesika and Asep (2021).

Firm size shows a positive but insignificant effect, suggesting it is not a key determinant of share prices, as investors focus more on performance and market-related factors (Syed & Karim, 2016; Taimur et al., 2015). Similarly, inflation has a negative but insignificant effect, implying limited impact despite its potential influence on costs and profitability (Simon & Jones, 2018; Karnaw, 2018; Akan et al., 2021).

Return on equity (ROE) and board financial expertise both exhibit positive but insignificant effects, indicating that profitability and board competence are not major drivers of share prices in the sector (Karnaw, 2018; Hafiz et al., 2015). Overall, the findings suggest that investors prioritize growth expectations over other firm-specific and macroeconomic factors.

Conclusion and Recommendation

The study's conclusions are delineated based on the research findings as Price-earnings ratio has a positive and significant effect on the share prices of listed insurance companies in Nigeria, while firm size, return on equity, and board financial expertise show positive but statistically insignificant effects, and inflation exhibits a negative but insignificant effect on share prices.

Based on the aforementioned findings, the following recommendations are put forth:

- i. Quoted insurance companies in Nigeria should enhance both their profitability, as reflected in efficient utilization of shareholder funds and their earnings to improve investors' confidence and increase their market valuation.
- ii. Management should implement strategies aimed at improving operational efficiency and shareholder returns.
- iii. Investors should consider price-earnings ratio as a critical indicator when making investment decisions.
- iv. Government should pursue macroeconomic policies that maintain price stability and reduce inflationary pressures.

v. Regulators should strengthen disclosure requirements to improve information availability and market efficiency.

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Appendix 1

summarize SP PER FS INFL ROE BFE

Variable	Obs	Mean	Std. Dev.	Min	Max
sp	160	.6765	.6781154	.2	4.5
per	160	12.37044	40.22101	-64	450
fs	160	7.217187	.348714	6.54	8.39
infl	160	13.02	3.672382	8	18.85
roe	160	.0600625	.1463024	-.36	1.22

bfe | 160 .4001875 .3386051 0 1

. swilk SP PE FS INF ROE BFX

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
sp	160	0.58236	51.363	8.960	0.00000
per	160	0.41526	71.914	9.725	0.00000
fs	160	0.96064	4.841	3.587	0.00017
infl	160	0.94801	6.393	4.220	0.00001
roe	160	0.74394	31.492	7.847	0.00000
bfe	160	0.95583	5.432	3.849	0.00006

. spearman SP PE FS INF ROE BFX
(obs=160)

	SP	PER	FS	INFL	ROE	BFX
SP	1.0000					
PER	0.2246	1.0000				
FS	0.3981	-0.0978	1.0000			
INFL	-0.0483	-0.0965	0.2565	1.0000		
ROE	0.3364	0.1486	0.3627	0.0259	1.0000	
BFE	-0.1169	-0.2167	0.1580	0.1456	0.1247	1.0000

. regress SP PE FS INF ROE BFX

Source	SS	df	MS	Number of obs	=	160
Model	26.9425041	5	5.38850082	F(5, 154)	=	17.97
Residual	46.1721366	154	.299819069	Prob> F	=	0.0000
Total	73.1146407	159	.459840507	R-squared	=	0.3685
				Adj R-squared	=	0.3480
				Root MSE	=	.54756

SP	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
PER	.0072133	.0010896	6.62	0.000	.0050607 .0093658
FS	.7343999	.1355165	5.42	0.000	.4666886 1.002111
INFL	-.0066279	.0122232	-0.54	0.588	-.0307745 .0175188
ROE	.3637042	.3137738	1.16	0.248	-.2561523 .9835607
BFE	-.249331	.1322763	-1.88	0.061	-.5106412 .0119792
_cons	-4.549089	.946314	-4.81	0.000	-6.418521 -2.679657

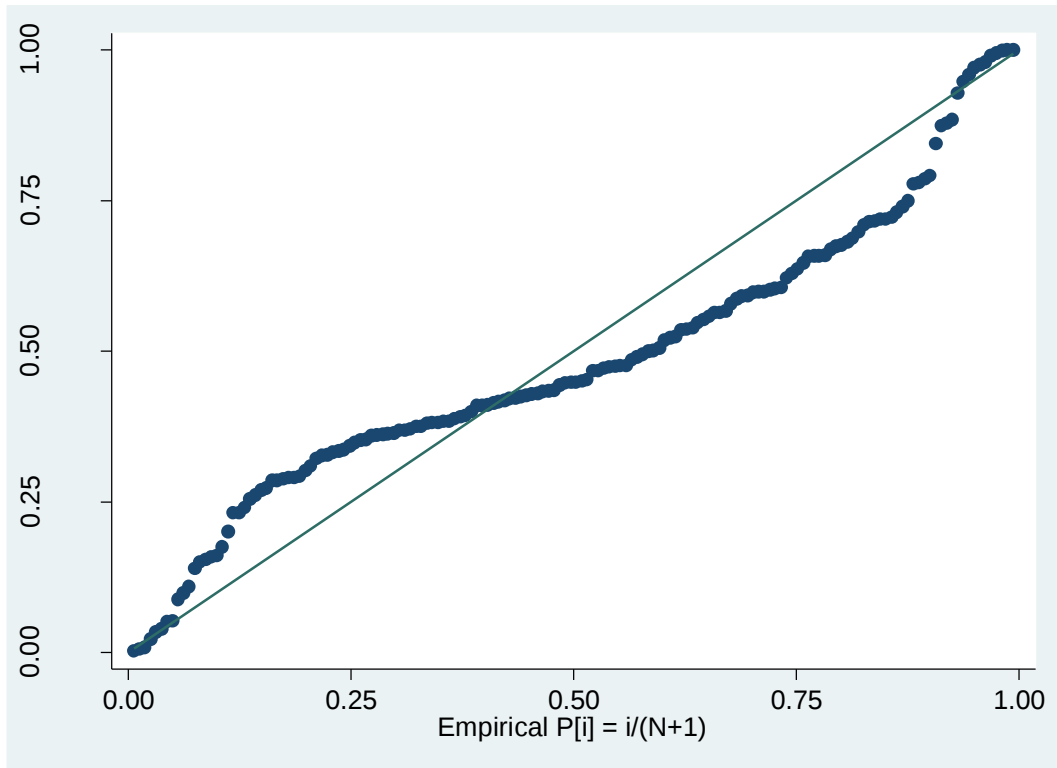
. vif

Variable	VIF	1/VIF
FS	1.18	0.844573
ROE	1.12	0.895426
INFL	1.07	0.935837
BFE	1.06	0.943424
PER	1.02	0.981741
Mean VIF	1.09	

```
. hettest
```

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of SP
```

```
chi2(1)      =    27.58
Prob>chi2    =    0.0000
```



```
. swilkxb
```

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
xb	160	0.86224	16.943	6.437	0.00000

```
. xtset SN YEAR, yearly
panel variable: SN (strongly balanced)
time variable: YEAR, 2013 to 2022
delta: 1 year
```

```
xtset COY_ID Years, yearly
panel variable: COY_ID (strongly balanced)
time variable: Years, 2013 to 2022
delta: 1 year
```

```
. xtreg SP PE FS INF ROE BFX, fe
```

```
Fixed-effects (within) regression
Group variable: COY_ID
Number of obs      =    160
Number of groups   =    16
```

```

R-sq:                               Obs per group:
within  = 0.3062                      min =          10
between = 0.2646                      avg  =         10.0
overall = 0.2584                      max  =          10

F(5,139)          =          12.27
corr(u_i, Xb)    = 0.1451              Prob> F          =          0.0000

-----+-----
SP |      Coef.   Std. Err.      t    P>|t|    [95% Conf. Interval]
-----+-----
    PER |   .0053599   .0007599     7.05  0.000   .0038574   .0068624
    FS  |   .3564219   .2779268     1.28  0.202  -.1930888   .9059327
  INFL |  -.0044241   .0096737    -0.46  0.648  -.0235507   .0147025
    ROE |  -.0075314   .2270032    -0.03  0.974  -.456357   .4412942
    BFE |   .293882    .1661058     1.77  0.079  -.0345386   .6223026
   _cons | -2.021644    1.924265    -1.05  0.295  -5.826258   1.78297
-----+-----
sigma_u|   .49619762
sigma_e|   .36051594
rho    |   .65449938   (fraction of variance due to u_i)
-----+-----
F test that all u_i=0: F(15, 139) = 14.42              Prob> F = 0.0000

. estimate store fe

. xtreg SP PE FS INF ROE BFX, re

Random-effects GLS regression                Number of obs   =          160
Group variable: COY_ID                      Number of groups  =          16

R-sq:                               Obs per group:
within  = 0.2991                      min =          10
between = 0.3773                      avg  =         10.0
overall = 0.3262                      max  =          10

corr(u_i, X)    = 0 (assumed)              Wald chi2(5)      =          66.64
                                              Prob> chi2        =          0.0000

-----+-----
SP |      Coef.   Std. Err.      z    P>|z|    [95% Conf. Interval]
-----+-----
    PER |   .0054841   .0007793     7.04  0.000   .0039567   .0070115
    FS  |   .5799003   .2041232     2.84  0.004   .1798261   .9799744
  INFL |  -.007019    .0091843    -0.76  0.445  -.0250199   .0109818
    ROE |   .0515029   .2317747     0.22  0.824  -.4027671   .5057728
    BFE |   .1230853   .1522076     0.81  0.419  -.175236   .4214067
   _cons | -3.537619    1.416744    -2.50  0.013  -6.314386  -.7608524
-----+-----
sigma_u|   .33348373
sigma_e|   .36051594
rho    |   .46110768   (fraction of variance due to u_i)
-----+-----

. estimate store re

. hausmanfe re

-----+-----
              ---- Coefficients ----
              |      (b)      (B)      (b-B)      sqrt(diag(V_b-V_B))
              |      fe       re       Difference      S.E.
-----+-----
PE |   .0053599   .0054841   -.0001242      .

```

Determinants of Share Price of Quoted Insurance Companies in Nigeria

```

      FS |      .3564219      .5799003      -.2234783      .1886187
      INFL |     -.0044241     -.007019      .002595      .0030381
ROE |     -.0075314      .0515029     -.0590343      .
      BFE |      .293882      .1230853      .1707967      .066513
-----
              b = consistent under Ho and Ha; obtained from xtreg
              B = inconsistent under Ha, efficient under Ho; obtained from xtreg

      Test:   Ho: difference in coefficients not systematic

chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
              =          3.85
Prob>chi2 =          0.5717
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

SP[COY_ID,t] = Xb + u[COY_ID] + e[COY_ID,t]

      Estimated results:
              |          Varsd = sqrt(Var)
      -----+-----
e |      .1299717      .3605159
u |      .1112114      .3334837

      Test:   Var(u) = 0
chibar2(01) =    176.34
Prob> chibar2 =    0.0000
. xtreg SP PER FS INFL ROE BFE, re vce (robust)

Random-effects GLS regression              Number of obs      =          160
Group variable: COY_ID                    Number of groups   =          16

R-sq:                                     Obs per group:
within = 0.2991                           min =              10
between = 0.3773                           avg =             10.0
overall = 0.3262                           max =              10

corr(u_i, X)  = 0 (assumed)                Wald chi2(5)        =          158.38
                                              Prob> chi2          =          0.0000

              (Std. Err. adjusted for 16 clusters in COY_ID)
-----
              |          Robust
SP |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-----+-----
      PER |      .0054841   .0004677    11.73  0.000      .0045674      .0064008
      FS |      .5799003   .3871828     1.50  0.134     -.178964      1.338765
      INFL |     -.007019   .0093562     -0.75  0.453     -.0253568      .0113187
      ROE |      .0515029   .1253362     0.41  0.681     -.1941515      .2971572
      BFE |      .1230853   .293947      0.42  0.675     -.4530402      .6992109
      _cons |    -3.537619   2.751299     -1.29  0.199     -8.930065      1.854827
-----+-----
sigma_u|      .33348373
sigma_e|      .36051594
rho   |      .46110768   (fraction of variance due to u_i)
-----

```