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# ASSESSMENT OF THE IMPACT OF RECAPITALIZATION ON SHARE PRICES AND LIQUIDITY OF INSURANCE COMPANIES IN NIGERIA

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***Abstract***

*The study assessed the impact of recapitalization on Share Prices and Liquidity of the Insurance companies in Nigeria. Specifically, the study set out to ascertain the extent at which the shareholders fund has significantly affected the share prices of insurance companies and to determine whether the shareholders fund has any significant impact on the liquidity of insurance companies. The Ex-post facto research design was adopted. The study was anchored on value increasing theory. A sample of 14 insurance companies was purposely selected from a population of 29 insurance companies listed on the Nigeria Stock Exchange. Annual time series data were obtained for the variables and the parameters of the model were estimated by means of Ordinary Least Squares (OLS) method of econometric regression with emphasis on the Chow Test of structural stability. Findings from the data and hypothesis testing show that the insurance companies' recapitalization has significant positive impact on the insurance companies quoted share prices. The implication is that recapitalization programme has made insurance companies to be more adequately capitalized and less risky after the programme. The study recommended that the increase in the insurance company liquidity after recapitalization should be invested in such a way that it adds value to the shareholders' wealth.*

***Keywords: Recapitalization, Liquidity, Share prices, Impact***

## INTRODUCTION

Recapitalization is the most notable reform introduced in the insurance industry. Following the completion of the 2006/2007 recapitalization exercise, which also involved quite a number of consolidations, the number of insurance companies dropped to 27 as at the end of 2009 (Shorunke, Akinola, Ajayi Ayeni & Popoola2014). The encouraged strategic mergers and acquisitions among the then existing insurance companies made companies operating in the insurance industry have their share capital base increased. However, the last increase in the share capital base occurred in the year 2007 and since then insurance companies witnessed tremendous increase in their capital base (Deyoung & Delong, 2007).

Insurance is understood by most people to be critical to a well-functioning economy as it provides payment in the event of unexpected losses (Yusuf, 2011). Insurance introduces security in to personal and corporate business situation and serves as a basis of credence as no financial institution would lend money for the purchase of capital goods without risk protection. In Nigeria, the insurance industry plays an important role through risk bearing and other financial services, employment of labor, payment of tax and providing vehicle for investors (Ujunwa & Modebe, 2011). In view of the above, the recapitalization exercise become inevitable in order to strengthen the competitiveness and operational capabilities of insurance companies in Nigeria with a view to enhancing global and public confidence in the Nigerian insurance system and the economy in general.

Nnanna (2005) posits that historically the Nigerian insurance companies had evolved in three stages. The first stage can be best described as the unguided laisez-faire phase. This was basically because governmental regulation in the sector was low and the minimum paid up capital required to start up an insurance company was low, making it the business of choice for anyone who could afford the capital. The second stage was the control regime (1988-1997), when the Insurance Decree came into force. It is against this back ground that this study work seeks to study the effect of the re-capitalization on the Share Prices and Liquidity of insurance companies in Nigeria from 2000 to 2014.

**Statement of the Problem**

The scenario of insurance business in Nigeria has been characterized by low capitalization which consequently transcend into dearth of human capital and professional skills, poor return on capitals, prominence of unethical practices, non- prompt payment of claims, low contribution to GDP/capital figures, lack of innovation in product development, lack of awareness on the part of the consumers on the uses/suitability of insurance products and so on (Chukwulozie 2008). The International Insurance Fact Book (2015), also revealed that in 2013 insurance penetration in Algeria was 0.68%, it was 0.68% for Egypt, 3.41% for Kenya, 5.48% Mauritius, 0.36% for Nigeria, 15.48% for South Africa, 1.76% for Tunisia amd1.5% for Zimbabwe (Olayungbo & Akinlo, 2016). The implication of these surveys is that Nigeria's overall Insurance sector is the least attractive of any of the Africa's countries. To this end, there is the need for consolidation for the risk adjusted capitalization to enhance the ability of the Insurance companies in Nigeria to adequately cover for Policy holders in the world of increasing risks. The apparent lack of broad based ownership together with a limited capital accounted for the fundamental short comings of Insurance sector in Nigeria (Obaremi 2007). These problems form part of the developmental problems in Nigeria whereby all existing properties at the Federal, State and Local government levels are less than 10% insured while household items have insignificant proportion of insurance with more than 70% of private property and businesses uninsured (Olaleye & Adegoke 2009). The gaps in the underwriting of insurable risks and economic growth have remained wide due to the failure of various consolidation policies of the government in the past. These concerns underscore the need for 2006 insurance companies' recapitalization exercise. Many of the researchers on the evaluation of the impact of Insurance companies' consolidation to economic growth have provided a fertile interface between economic theorists and empirical economists. In most cases, conclusions from such studies attempt to link the risk management systems of the insurance industries through their risk taking abilities that are capable of eliciting innovation for the growth and development of an economy (Obaremi 2007).

While re-capitalization of Nigerian insurance companies may address the above concern, the impact of the recapitalization on insurance share prices and liquidity of insurance companies would not seem to have been empirically investigated. Hence, the need for this study.

**Objectives of the Study**

The specific objectives the study are as follows:

1. To ascertain the impact of shareholders' fund on the share prices of insurance companies in Nigeria.

2. To find out whether the shareholders' fund has any significant impact on the liquidity of insurance companies in Nigeria.

## REVIEW OF RELATED LITERATURE

### Conceptual Review

The concepts of the research study were reviewed for the purpose of providing adequate justice to the study.

### Concept of Recapitalization

Recapitalization is predicated upon the need for reorientation and repositioning of an existing status quo in order to attain an effective and efficient state (Jegede 2014). The low capitalization of Nigerian insurance companies may be a fundamental bottleneck that may inhibit the functioning of the institutions for growth and achievement of core objective in the drive towards enhancing and sustaining the economic and social imperatives of human endeavor carried out through either government institutions or private enterprises. Oke (2012) opined that recapitalization becomes inevitable in the light of the global dynamic exigencies and emerging landscape. Consequently, the insurance sector, as an important sector in the financial landscape needs to be recapitalized in order to enhance its competitiveness and capacity to play a fundamental role of financing investments.

Consolidation is viewed as the process of merging insurance company with other insurance companies and with a simultaneous increase in size and concentration of the consolidated entities in the sector (BIS, 2001). It is mostly motivated by technological innovations, deregulation of financial services, enhancing intermediation and increased emphasis on shareholders' value, privatization and international competition (Berger 2003, 1999; De Nicolo & Gianni 2003; IMF 2001).

### Share Price

Hughes, Lang, Mester, and Moon (1999), define a share price as the price of a single share of a number of saleable stocks of a company, derivative or other financial asset. In layman's terms, the stock price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for.

When viewed over long periods, the share price is related to expectations of future earnings and dividends of the firm over short periods, especially for younger or smaller firms, the relationship between share price and dividends can be quite unmatched (Wikipedia).

### Liquidity

This is a measure of a company's ability to meet its short-term obligations using its most liquid assets. Udoiden and Acha (2012), viewed accounting liquidity as the ease with which a company can pays its bills and liabilities over the next year, especially if it must convert its assets into cash in order to do so. Two common ways to measure accounting liquidity are the current ratio and the quick ratio.

The amount of cash a company has on hand or can generate quickly reveals how healthy the company is financially (Adeleye & Maiturare 2012). High levels of available cash indicate that the business can pay off debt easily when due dates occur. The types of assets a company has and the marketability of those assets are where a discussion of financial liquidity begins.

**Facet of Reforms and Conceptual Issues on Consolidation in the Insurance Sector**

A combination of many weak elements in financial institutions could jeopardize the health of the insurance system. This results primarily from extraction of rents which are made possible through weak regulatory and supervisory framework, weak safety nets arrangement, poor crisis resolution techniques, poor corporate governance and the structure of the insurance system (Ajayi 2005). In view of the above, the facets of insurance sector reforms aimed at ensuring a healthy ambience encompassed reforming the regulatory and supervisory framework, the safety net arrangements, crisis resolution mechanisms, shareholding structure and enthronement of good corporate governance practices (Ajayi, 2005).

While reforms in the insurance sector are aimed at addressing issues such as governance, risk management and operational inefficiencies, the vortex of the reforms is around firming up capitalization (Ajayi 2005). Capitalization is an important component of reforms in the insurance industry, owing to the fact that insurance with a strong capital base has the ability to absolve losses arising from compensation liabilities. Attaining capitalization requirements is achieved through consolidation, convergence as well as an efficient capital market. Thus recapitalization is primarily driven by the need to achieve the objectives of consolidation, competition and convergence (Decan, 2004).

Consolidation and convergence are achieved through mergers and acquisitions. A merger is combination of two or more separate firms into a single firm. Ajayi (2005), opined that acquisitions, on the other hand, take place where a company takes over the controlling shareholding interest of another company. He concluded that, at the end of the process, there exist two separate entities or companies. The targeted company becomes either a division or a subsidiary of the acquiring company.

Ajayi (2005), believe that an early view of consolidation conceived it in terms of the relative cost efficiency where larger companies could eliminate excess capacity in the areas of data processing, marketing, or overlapping branch networks. Cost efficiency could also improve if more efficient insurance acquired less efficient ones. He said that a'newer' concept of consolidation viewed mergers as not just about adjusting inputs to affect costs; but, also involves adjusting output (product) mixes to enhance revenues. The study of Akhaveinet, Berger and Humphrey (1997), supported this view and found that insurance mergers do tend to be associated with improvements in overall performance, partly because insurance achieved higher valued output taxes through a shift toward higher yielding insurance policies away from securities. These studies revealed that merged insurance experienced a lowering of their cost of borrowed funds, without needing to increase capital ratios. The lower cost of funds consistent with a decline in the overall risk of the combined insurance compared with that of the merger partners taken separately. The sources of diversification could be differences in the range of services, the portfolio mixes, or the regions served by the merging insurance (FRBSF, 1998).

**Rationale for Recapitalizing Nigerian Insurance Companies**

The issue of re-capitalization is a major reform objective; re-capitalization means increasing the amount of long-term finances used in financing the organization (Ikegwu, Obidiegwu, Olufolabo & Obafemi 2016). They argued that re-capitalization entails increasing the debt stock of the company or issuing additional shares through existing shareholders or new shareholders or a combination of the two. It could even take the form of mergers and acquisitions or foreign direct investment.

According to Adegbaju (2008), whichever form recapitalization takes the end result is that the long term capital stock of organization is increased substantially to sustain the current economic trend in the global world. Asedionlen (2004), opined that re-capitalization may raise liquidity in short term but will not guarantee a conducive macroeconomic environment required to ensure high asset quality and good profit.

Okolie (2006), opined that low capitalization of the insurance has made them unable to finance the economy, more prone to unethical and unprofessional practices.

**Mergers and Acquisitions as Tools for Consolidation**

People have been shaping and reshaping business organisations for many centuries. A large number of business combinations or mergers had taken place in the last hundred years in Malaysia Latin America and in the Asian countries, contributing significantly to the development of the economy (Osho 2004) and (Ajayi, 2005). Business organizations are products of their historical and social environments. Thus we can understand the evolution of business combination in terms of how people had dealt with the issue of growth and survival at particular times in history. A strategic plan will influence the types of markets, technological environment and competition with which the organization must contend. Growth is a major objective of most corporate enterprises and may take many forms. Growth in sales is needed to increase the firm's share of the market and to solidify the firm's position. Growth in earnings per share is essential for the firm's securities to become more attractive in the capital market. Conglomerate diversification is pursued to reduce or spread business risks, insulate earnings from downturn in business and decrease the cost of capital. Umoh (2004), posited that mergers and acquisitions are expected to address the problem of distress among insolvent companies without an initial resort to liquidation. Soludo (2004), opined that mergers and acquisitions are aimed at achieving cost efficiency through economies of scale and diversify and expand on the range of business activities for improved performances. Yener and David (2004), observe that mergers and acquisitions played an important role in improving after merger performance which is a stimulus for efficiency and adds significantly to profits of the banking industry.

## 2.2 Theoretical Framework

The study is anchored on the value increasing theory. The theory is as discussed below.

Value increasing theory emanates from the marginal theory of value. According to Taylor (1996), the marginal theory of value finds value at the margin of production, as well, the marginal theory of value, finds the determination of value in the intersection of the demand force of utility and the supply force of cost.

Hence, if we observe a merger deal, efficiency theory predicts value creation with positive returns to both the acquirer and the target. Banerjee and Eckard (1998) evidence this suggestion.

**Empirical Reviews**

The scholars under review are of divergent opinion on the success of recapitalization programme of insurance companies in Nigeria and other part of the world. Some of the authors agreed that the activities of the insurance companies have made significant impact on the insurance companies' profitability, net assets, liquidity, and gross earnings. This position is supported by Soekaruo & Azhari (2009), Adeleke & Maiturare (2012), Udoiden & Acha (2012), Oteino (2015), Lole (2012)

Gugong, Arugu & Dandago (2014), Boadi, Antwi & Lartey (2013), LIbuli, Sakataka & Wandera (2014), Kasturi (2006), Csillag & Pinanelli (2008), Kaire (2013), Eze & Okoye (2013), Mwangi & Marigu (2013), Ahmed (2015) and Epetmehin (2012).

Most of the studies reviewed have one short comings or the other. Momoh & Ukpong, (2013), Mitema (2014), Cole (2012), Yook (2004), Obaremi (2007) and

Epetimehi (2012), carried out their studies either using small unit sampled insurance companies ranging between one insurance company to 8 insurance companies with no statistical evidence and test before drawing conclusions. The size of the insurance company recapitalization was not also put into consideration. The gestation period between the before and after recapitalization period ranges between one financial year before recapitalization and one financial year after recapitalization and some are maximum of three years pre and post recapitalization programmes with much emphasis on financial ratios are inadequate (Ewedemi &Lee 2015, Momoh & Ukpong 2013, Babatunde et al 2014). The likes of Oteino(2015), Mudaki, Wanjere, Ochieng & Odera (2012) and Muya (2013) only reviewed the insurance companies' activities and performance after recapitalization thereby indicating that the study is only post recapitalization activities and performance. There are some studies that their focus is not directly on recapitalization and financial system performance.

## METHODOLOGY

*Ex-post facto* design was adopted in this study.

The population of the study consists of the twenty-nine (29) insurance companies listed on Nigerian Stock Exchange (NSE) operating within the study period.

Fourteen (14) listed insurance companies were purposely selected for this research work. The main goal of choosing purpose sampling is to focus on particular characteristics of the population that are of interest, which will best enable the researcher to answer his research questions (Nwana, 1981). Absolute figures of the sampled insurance companies' shareholders fund, liquidity and share prices were employed to carry out our study.

### Method of Data Analysis

Annual time series data were obtained for the variables and the parameters of the model were estimated by means of Ordinary Least Squares (OLS) method of economics regression with emphasis on Chow Test of structural stability and the tool of analysis is E-Views Version.

The Chow Test is a special kind of f-test propounded by Chow (1960). Just as in the present study under present study under review, a series of data can contain a structural break. In order to test and accommodate for such a structural break. Chow's first test often comes in handy. The researcher used regression analysis because the researcher wanted to establish whether the recapitalization has significant effect on the financial performance of insurance companies

### Hypotheses

The following Null hypotheses (Ho) would be tested:

**$H_{o1}$:** Shareholders' fund has no significant effect on the share prices of insurance companies in Nigeria

**$H_{o2}$:** Shareholders' fund has no significant effect on the liquidity of insurance companies in Nigeria

**Test of Hypothesis**

**$H_{o1}$** Shareholders' fund has no significant effect on the share prices of insurance companies in Nigeria

The extract from the share prices of the sampled insurance companies was used to test the above hypothesis two.

**Table 4.1: Showing Regression Result for Shareholders fund against Share Prices before Recapitalization**

Dependent Variable: BSP
Method: Least Squares
Date: 08/23/16 Time: 13:47
Sample (adjusted): 2000 2006
Included observations: 7 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| BSF | 0.257996 | 0.015672 | 16.46178 | 0.0000 |
| C | 100496.8 | 25103.73 | 4.003262 | 0.0103 |

| | | | |
|---|---|---|---|
| R-squared | 0.981883 | Mean dependent var | 414770.0 |
| Adjusted R-squared | 0.978260 | S.D. dependent var | 292508.9 |
| S.E. of regression | 43128.84 | Akaike info criterion | 24.41673 |
| Sum squared resid | 9.30E+09 | Schwarz criterion | 24.40127 |
| Log likelihood | -83.45855 | Hannan-Quinn criter. | 24.22572 |
| F-statistic | 270.9903 | Durbin-Watson stat | 1.598126 |
| Prob(F-statistic) | 0.000015 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.2: Showing Regression Result for Shareholders fund against Share Prices After Recapitalization**

Dependent Variable: ASP
Method: Least Squares
Date: 08/23/16 Time: 13:46
Sample (adjusted): 2008 2014
Included observations: 7 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| ASF | 0.363876 | 0.165596 | 2.197369 | 0.0794 |
| C | 714506.8 | 996060.3 | 0.717333 | 0.5053 |

| | | | |
|---|---|---|---|
| R-squared | 0.491272 | Mean dependent var | 2897134. |
| Adjusted R-squared | 0.389526 | S.D. dependent var | 251326.5 |
| S.E. of regression | 196368.5 | Akaike info criterion | 27.44833 |
| Sum squared resid | 1.93E+11 | Schwarz criterion | 27.43288 |
| Log likelihood | -94.06915 | Hannan-Quinn criter. | 27.25732 |
| F-statistic | 4.828429 | Durbin-Watson stat | 2.365107 |
| Prob(F-statistic) | 0.079356 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.3: Showing Regression Result on Share Prices and Shareholders fund**

Dependent Variable:DSP
Method: Least Squares
Date: 08/18/16 Time: 08:38
Sample: 2000 2014
Included observations: 15

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -122464.0 | 119027.6 | -1.028871 | 0.3223 |
| DSF | 0.485707 | 0.026406 | 18.39351 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.962997 | Mean dependent var | 1700772. |
| Adjusted R-squared | 0.960150 | S.D. dependent var | 1278439. |
| S.E. of regression | 255206.5 | Akaike info criterion | 27.86110 |
| Sum squared resid | 8.47E+11 | Schwarz criterion | 27.95551 |
| Log likelihood | -206.9582 | Hannan-Quinn criter. | 27.86009 |
| F-statistic | 338.3214 | Durbin-Watson stat | 1.788773 |
| Prob(F-statistic) | 0.000000 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.4: Showing Chow Test Result on Share prices and Shareholders fund**

Chow Breakpoint Test: 2007
Null Hypothesis: No breaks at specified breakpoints
Varying regressors: All equation variables
Equation Sample: 2000 2014

| | | | |
|---|---|---|---|
| F-statistic | 5.859585 | Prob. F(2,11) | 0.0185 |
| Log likelihood ratio | 10.87971 | Prob. Chi-Square(2) | 0.0043 |
| Wald Statistic | 11.71917 | Prob. Chi-Square(2) | 0.0029 |

Source: The Researchers' Computation Using E-view 7.1

The regression result for both periods as shown in Tables 4.1 displays a significant relationship of p-value of 0.000 while that of after recapitalization in table 4.2 displays an insignificant relationship with a p- value of 0.07. The analysis of the combined regression data of shareholders' fund and share prices in Table 4.3 further shows a p-value of 0.000. The chow test result in Table 4.4 however revealed that the recapitalization has a positive effect on the share prices of quoted insurance companies in Nigeria with the calculated value of 5.859585 being higher than the Table value of 3.982298. Also the probability (2,11) displays 0.0185 which is lower than 5%, consequently, the null hypothesis is rejected for the alternative. That is the recapitalization has a positive effect on share prices of listed insurance companies in Nigeria.

**$H_{o2}$:** Shareholders' fund has no significant effect on the liquidity of insurance companies in Nigeria

The extract from the liquidity of the sampled insurance companies was used to test the above hypothesis three.

**Table 4.5: Showing Regression Result for Liquidity and Shareholders Fund Before Recapitalization**

Dependent Variable: BLIQUIDITY
Method: Least Squares
Date: 08/23/16 Time: 09:24
Sample (adjusted): 2000 2006
Included observations: 7 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 245030.3 | 128948.1 | 1.900224 | 0.1158 |
| BSF | 0.866323 | 0.080503 | 10.76134 | 0.0001 |

| | | | |
|---|---|---|---|
| R-squared | 0.958611 | Mean dependent var | 1300324. |
| Adjusted R-squared | 0.950334 | S.D. dependent var | 994063.0 |
| S.E. of regression | 221536.1 | Akaike info criterion | 27.68952 |
| Sum squared resid | 2.45E+11 | Schwarz criterion | 27.67406 |
| Log likelihood | -94.91330 | Hannan-Quinn criter. | 27.49850 |
| F-statistic | 115.8064 | Durbin-Watson stat | 1.923686 |
| Prob(F-statistic) | 0.000120 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.6: Showing Regression Result for Liquidity and Shareholders Fund After Recapitalization**

Dependent Variable: ALIQUIDITY
Method: Least Squares
Date: 08/23/16 Time: 09:39
Sample (adjusted): 2008 2014
Included observations: 7 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 7189186. | 5211992. | 1.379355 | 0.2263 |
| ASF | -0.429708 | 0.866501 | -0.495912 | 0.6410 |

| | | | |
|---|---|---|---|
| R-squared | 0.046880 | Mean dependent var | 4611682. |
| Adjusted R-squared | -0.143744 | S.D. dependent var | 960783.4 |
| S.E. of regression | 1027519. | Akaike info criterion | 30.75815 |
| Sum squared resid | 5.28E+12 | Schwarz criterion | 30.74269 |
| Log likelihood | -105.6535 | Hannan-Quinn criter. | 30.56714 |
| F-statistic | 0.245929 | Durbin-Watson stat | 2.067642 |
| Prob(F-statistic) | 0.640983 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.7: Showing Regression Result on Liquidity and Shareholders Fund**

Dependent Variable: D LIQUIDITY
Method: Least Squares
Date: 08/18/16 Time: 12:05
Sample: 2000 2014
Included observations: 15

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 467114.5 | 354806.7 | 1.316532 | 0.2107 |
| DSF | 0.689868 | 0.078714 | 8.764205 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.855252 | Mean dependent var | 3056729. |
| Adjusted R-squared | 0.844118 | S.D. dependent var | 1926803. |
| S.E. of regression | 760739.4 | Akaike info criterion | 30.04554 |
| Sum squared resid | 7.52E+12 | Schwarz criterion | 30.13994 |
| Log likelihood | -223.3415 | Hannan-Quinn criter. | 30.04453 |
| F-statistic | 76.81129 | Durbin-Watson stat | 1.970844 |
| Prob(F-statistic) | 0.000001 | | |

Source: The Researchers' Computation Using E-view 7.1

**Table 4.8: Showing Chow Test Result for Liquidity and Shareholders Fund**

| | | | |
|---|---|---|---|
| F-statistic | 0.762825 | Prob. F(3,8) | 0.5459 |
| Log likelihood ratio | 3.522160 | Prob. Chi-Square(3) | 0.3179 |
| Wald Statistic | 2.545488 | Prob. Chi-Square(3) | 0.4671 |

Source: The Researchers' Computation Using E-view 7.1

The regression result of Shareholders fund against Liquidity for the period before and after recapitalization in Tables 4.5 and 4.6 showed that the relationship portrayed a significant relationship between shareholders' fund and Liquidity with a P-value of 0.0001 before recapitalization and an insignificant relationship with a p- value of 0.6410 after the recapitalization. Table 4.7 of the combined regression result of Shareholders fund against Liquidity show a significant relationship with p- value of 0.000.

Similarly, the R-Square in the table showed the extent the independent variable can explain the dependent variable. Thus an $R^2$ value of over 86% in table 4.7is quite high. Simply put therefore, the Shareholders fund explains the Liquidity level at 86%.

Further, the Chow test in table 4.8 showed an F statistics (calculated) value of 0.762825 which is less than the $F_{tab}$value of 4.066181at Prob. F(3,8). We therefore accept the null hypothesis which states that the insurance companies' recapitalization has no significant effect on the liquidity of the companies.

## 4.4 Discussion of Findings

The researcher discovered that recapitalization has no significant impact on the liquidity of the insurance companies. However, the study showed that the recapitalization has a positive impact on the listed companies' share prices.

The implication of the financial system consolidation exercise is that recapitalization has enabled the Insurance increase their market power, induce restructuring and engender the alignment and re-alignment of insurance companies into the mergers of some and acquisitions of others. The recapitalization programme also makes insurance to be more adequately capitalized and less risky after the programme. These findings are not in conformity with the study a priori expectation.

## Summary of Findings

In the course of this study, after analyzing the data collected the following findings were made:

1. That the recapitalization has a positive significant impact on their share prices.
2. Recapitalization has negative significant impact on the liquidity of the companies under review.

## Conclusion

Insurance sector reforms in Nigeria are driven by the need to deepen the country financial system and reposition the Nigeria economy for growth; to become integrated into the global financial structural design and evolve an insurance industry that is consistent with regional integration requirements and international best practices. Capitalization is an important component of reforms in the Nigeria insurance industry, owing to the fact that an insurance company with a strong capital base has the ability to absolve losses arising from claims and settlements liabilities.

## Recommendations

1. The management of other insurance companies where recapitalization do not have significant impact on their share prices should strive more on their management efficiency in order to ensure that this translate to an improvement in the shareholders' wealth.

2. The expected increase in the insurance companies' liquidity after recapitalization should be invested in such a way that it will add value to the shareholders' wealth.

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