

THE CAUSAL RELATIONSHIP BETWEEN LIFE INSURANCE BUSINESS AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT: This study investigated the causality of the relationship between life insurance business and economic growth of Nigeria for the period 2000-2011. Pearson's Product Movement Correlation Coefficient was used to test the hypothesis to determine the extent of the causality of the relationship between life insurance business and economic growth. The researcher graphically measured the ratio of life insurance premium to Gross Domestic Product (GDP). The study revealed that there was significant causal relationship between life insurance business and economic growth of Nigeria. It was also discovered that despite the high degree of the causality of the relationship between life insurance premium and GDP, that life insurance premium has not been able to make a meaningful contribution to economic growth of the country. The study concluded that life insurance business has not effectively contributed to the growth of Nigeria economy due to low consumption, and that individual and corporate organizations have failed to embrace life insurance policies in Nigeria. The researcher therefore, recommended that National insurance commission (NAICOM) should enforce the compulsory group life insurance policy, and ensure that there is high level of transparency initiative and efficiency in Nigeria insurance industry. This would go a long way in mitigating the factors that hinder individuals and organizations in embracing life insurance policies in Nigeria.

KEYWORDS: Life Insurance, Premium, Economic Growth.

1 INTRODUCTION

Life insurance is a social security scheme that provides benefits when certain events occur, or certain conditions exist, that may adversely affect the welfare of the households concerned. It is a scheme that retards the adverse effect of economic insecurity, which arises as a result of the disability or death of a breadwinner in a household. Modern life insurance policies were established in the early 18th century. The first company to offer life insurance was the Amicable Society for a Perpetual Assurance Office, founded in London in 1706 by William Talbot and Sir Thomas Allen (Oviatt, 1905). Life insurance is a contract between an insured (insurance policy holder) and an insurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness may also trigger payment. The policy holder typically pays a premium, either regularly or as a lump sum. Other expenses (such as funeral expenses) are also sometimes included in the benefits. Life insurance companies are financial intermediaries that bring together the surplus spending unit and the deficit spending unit for the purpose of the insurer protecting the financial interest of the beneficiary in the event of the demise of the insured (Catalan, Impavido and Musalem, 2000; Impavido and Musalem, 2000).

Life insurance companies play an increasingly important role within the financial sector. While during the period 1980-85 total assets of life insurance companies constituted only 11% of GDP for a sample of 13 countries, for which data were available, they constituted 28% for the period 1995-97 in the same countries. This increased importance was also reflected in the business volume of life insurers. Whereas life insurance penetration – the ratio of premium volume to GDP – was at 1.2% during the period 1961-65, it reached 4.2% in the period 1996-2000 for a sample of 19 countries, for which data were available (Beck and Webb, 2002). While this increased importance of life insurance both as provider of financial services and of investment funds on the capital markets is especially pronounced for developed countries, many developing countries still experience very low levels of life insurance consumption, which affects the contribution of life insurance business to economic growth. Beck and Webb (2002) however, stated that even within the group of developing countries, there are striking differences. While South Africa's penetration ratio was 12.7% over the period 1996-2000, Syria's was less than 0.01%. Given the large variation in the use of life insurance across countries, the question of the causes of this variation and therefore the effect of life assurance business on economic growth arises.

Life Insurance is one of the cornerstones of modern-day financial services sector. In addition to its traditional role of managing risk, life insurance market activity, both as intermediary and as provider of benefit to the insured or its beneficiary in the case of death, may promote growth by allowing different life insurance risks to be managed more efficiently, promoting long term savings and encouraging the accumulation of capital, serving as a conduit pipe to channel funds from policy holders to investment opportunities, thereby mobilizing domestic savings into productive investment (Skipper, 2001 and Arena, 2008). Life insurance companies act as a vehicle for the mobilization of savings for long term investment purpose, leading to economic growth and development. Through financial intermediation, life insurance product has become a key source of long term finance, encouraging the development of capital markets (Catalan, Impavido and Musalem, 2000; Impavido and Musalem, 2000). A thriving life and non-life insurance business is not only evidence of an efficient financial service sector, but it is also a key barometer for measuring a healthy economy (Omoke, 2012).

Indeed several studies have found evidence that the development of the life and non life insurance sector is related to economic growth and key elements in the economic development of a country (Arena, 2008; Webb, Grace and Skipper, 2002; Ward and Zurbruegg 2000; Webb, 2000 and Soo, 1996). Kumar and Prakash (2012) states that some research suggests that the positive contribution of life insurance to growth is primarily through the channel of financial intermediation and long term investments. It is thus expedient for a country like Nigeria that has witnessed a prolonged period of recession and macro-economic instability to initiate a strong financial market via life insurance companies for economic recovery.

Life insurance business starts thousands of years back, but it seems as if it is at the preliminary stage as compared to banking industry. It appears that organizations and individuals failed to patronize life assurance product and see it as a product that is futile. Some of the organization and individuals in Nigeria are still ignorant and unaware of the existence and roles of the different types of life assurance policies made available to enhance economic security. Olagbegi (2008), states that the level of insurance awareness in Nigeria, a factor that influences the degree of patronage, remains one of the lowest in the world. Buttressing his point with records sourced from the industry, he showed that Nigeria, with a population of over 140 million people has an insurance density of about 5-10%, as against 40-50% in some developing countries, and 90-98% in most developed countries. Many Nigerians seem not to have proper understanding of the immense benefits that life insurance offers, and some refused to patronize life insurance business due to non claims payment by insurance companies and ignorance (Agabi, 2010). However, this research work will examine the level significance relationship between life insurance business and economic growth.

2 LITERATURE REVIEW

2.1 THEORETICAL FRAMEWORK

The theories adopted in this research is the Modern Theory of Financial Intermediation and Growth theory

Modern Theory of Financial Intermediation

Merton and Bodie (1995) developed a theory called modern theory of financial intermediation which comprises traditional theory and the changes in financial environment. The modern theory of financial intermediation emphasizes six core functions of insurance to include: provision of means for clearing and settling payments to facilitate exchange of goods and services; provision of mechanism for pooling resources; resources allocation; risk management; provision of price information to help in coordinating decentralized decision making in various sectors of the economy and provision of means to tackle the problem of moral hazard, physical hazard and information asymmetry. For the purpose of this study, the enumerated functions by Merton and Bodie (1995) could be expressed as resources accumulation, resource allocation,

managing various risks and facilitation of exchange. It is by realizing these functions that the life and non life insurance companies contributes to economic growth. Skipper (1997) show that insurance market activity, both as a provider of risk transfer and indemnification and as an institutional investor, may contribute to economic growth in the following ways: (a) mobilizing domestic savings; (b) allowing different risks to be managed more efficiently, thereby encouraging the accumulation of new capital; (c) boosting financial stability; (d) facilitating trade and commerce (the most ancient insurance activity); (e) supporting to reduce or mitigate losses; and (f) fostering a more efficient allocation of domestic capital.

Beck and Webb (2003) assert that life insurance provides individuals and the economy as a whole with some financial services. First, life insurance takes increasing magnitude as a way for individuals and families to manage income risk. Next, life insurance products expedite long-run savings and the re-investment of substantial sums in private and public sector projects. Life insurance products offer a means for disciplined contractual saving and have become effective as instruments for boosting substantial amounts of savings. Third, life insurance mobilizes funds through attractive medium and long-term savings products that enhance economic growth. Long-term finance provided by life insurers may have an especially decisive role in economics, which needs such financing for infrastructure development. Hais and Sümegi (2008) analyze the manifold channels of influence on the insurance sector and economic growth: risk transfer, substitute savings, investment, institutional extents of influence, and possible sources of contagion and repercussions to the economy. Moreover, Sümegi and Hais (2008) present that overlooking the insurance sector may be among the causes why the finance-growth nexus seems to have become less robust.

The Growth Theory

The theory of economic growth developed in the 1950's by R. Harrod (Great Britain) and E. Domar (USA) was based on Keynesian premises. In the Keynesian approach to the analysis of economic growth, demand does not automatically equal supply, nor do savings automatically equal investments; demand especially the demand for capital investment plays a key role in economic growth; and the basic technological coefficients (for example, the relationship of capital to product, and of labor to capital) remain unchanged because of the rigidity of prices and are determined by the neutral quality of technological progress that is, by such technological progress as does not influence the effectiveness of production factors. The growth theory states that well developed financial intermediation can promote economic growth through marginal productivity of capital, efficiency of channeling savings to investment, savings rate and technological innovations (Eze and Okoye, 2013). The channels to growth model tries to link the financial intermediation function of insurance companies to economic growth. Webb, Grace and Skipper (2002) stated that life insurance reserves can be used as approximation of the investment function, they used technical reserves of both life and non-life insurance companies as a proxy for their investment function (IF), and the expected effect on economic growth is positive. Life and non life insurance as a financial intermediation contribute to economic growth through accumulation of productive capital within an economy and the Improvement of the efficiency of investments (Conyon and Leech, 1994; Skipper and Kwon, 2007; Dorfman, 2008).

2.2 EMPIRICAL REVIEW

Catalan, Impavido and Musalem (2000) analysed Granger Causality of insurance asset for 14 OECD and 5 developing countries over the period 1975 to 1997 vis-à-vis GDP growth (among others). According to their analyses, contractual savings seems to have some connection to Market Capitalization (MC) and Value Trade (TC) in the majority countries. The correlation between MC and pension funds is the same as with MC and contractual savings, but the nexus of pension funds-VT is mixed. The Catalan et al (2000) analyses, 9 OECD countries support the life insurance- MC link, the result for the developing countries are mixed. Evidence for the connection of life insurance to VT is not so strong in OECD countries, whereas, the majority of non OECD countries show this linkage. The impact of non-life business is almost equal to the impact of the life business for MC and less for VT. The linkage proposed by the author between contractual savings and MC or VT seem to hold for OECD countries, especially for countries in small and tight market but enabling regulatory environment. The second proposition- to favour contractual saving over institutional investors (e.g. non-life insurance) – is also supported by the result and induces the authors to recommend an appropriate sequencing of financial institutions' development.

Arena (2008) used dynamic models of panel data for 55 countries and for the 1976-2004 periods. His study was on the causal relationship between insurance market activity and economic growth. He uses data for non-life and life insurance premiums in order to assess potentially different effects on economic growth, measured by growth in real GDP per capita. As additional explanatory variables he uses private credit, stock market turnover, initial GDP per capita, openness, government consumption, inflation, human capital, and terms of trade changes data. He found support for causal effect of insurance to economic growth. However, the research results evidence different impact of life and non-life insurance on economic growth. While life insurance premiums positive effect on economic growth is driven by high-income countries only, non-life

insurance premiums effect on economic growth is driven by all countries, although a larger effect is found in high-income countries.

Webb, Grace and Skipper (2002) examine whether banks, life and nonlife insurers individually and collectively contribute to economic growth by facilitating the efficient allocation of capital using revised Solow-Swan model of economic growth. They use cross-country data for 55 developed and developing countries, excluding ex-communist European economies, for the period 1980-1996. In addition to average penetration of life and non-life insurance, as explanatory variables for GDP per capita growth, they use average growth rate of capital stock per capita, average penetration of banking activity, average level of exports as a share of GDP, average government expenditure share of GDP, natural log of initial real GDP per capita and data on proportion of the population over 25 who have completed primary school. They found that the exogenous components of banking and life insurance penetration are robustly predictive of increased productivity. Synergy between banks and insurers exists, which indicates that banks and insurers collectively provide greater benefits than it would be by summing their individual contributions. Additionally, they found that there is no link between economic growth and non-life insurance. Economic growth affects life insurance penetration while it does not predict banking development.

Kugler and Ofoghi (2005) use the components of net written insurance premium to evaluate a long run relationship between development in insurance market size and economic growth by using Johansen's λ Trace and λ max co integration tests. In addition, they use Granger causality tests with disaggregated measures of specific classes of long-term and general business insurance for the United Kingdom. Disaggregated data for long-term insurance includes yearly and single premium (including life insurance, annuities, individual pensions and other pensions) for the period 1966-2003 and for general business insurance, includes motor, accident and health, liability, property, pecuniary loss, reinsurance and MAT (Marine, Aviation and Transport) for the period 1971-2003. For most of variables and for at least at 5% level of significance, co integration tests confirmed long run relationship between development in insurance market size and economic growth. Causality tests' results show for eight out of nine markets (the exception is pecuniary loss insurance) that the long run relationship between insurance market size development and economic growth is present rather than there is cyclical effect. In the short run, growth in life (both yearly and single premium), liability and pecuniary loss insurance causes economic growth. Additionally, they found that causality from GDP growth to insurance market size development is more powerful than the causality from the other side.

Oke (2012) used fixed effect model and co-integration analysis to determine the short-run and long-run relationship between economic growth and insurance sector growth and development in Nigeria. The study spanned from the period of 1986 to 2009. The result reveals that insurance sector growth and development positively and significantly affects economic growth. The result of the granger causality test indicates that the extent of influence the insurance sector growth had on economic growth was limited and not direct because of some cultural, attitudinal traits and values in the economy.

Shittu (2012) carried out a study on financial intermediation and economic growth in Nigeria for the period of 1970 to 2010 using unit root test, cointegration test, Error Correction Model (ECM) and Engle-Granger causality test. The result observed that the financial intermediaries have significant impact on the growth of Nigerian economy.

Odhiambo (2011) in a study "dynamic causal relationship between financial development, economic growth and poverty reduction in South Africa for the period of 1960 to 2006" using a trivariate causality model and error correction model (ECM) in data analysis. The study reveals that the hypothesis of finance-led growth do not hold in South Africa. The result shows that finance has nothing to do with the growth of South African economy. That whether finance or not, the economy continue to grow.

Mojekwu, Agwuegbo and Olowokwede (2011) used a dynamic factor model to estimate the impact of insurance contributions on the growth of Nigerian economy within the period of 1981 to 2008. The result indicates that the functional relationship between the volume of insurance contribution and economic growth in Nigeria is a first order autoregressive model. This model observed that economic growth is positively correlated with insurance contributions. This implies that if insurance contribution increases, economic growth will as well increase.

Anthony and Luke (2011) in their study on "the effect of insurance business on economic development in Nigeria" using descriptive survey and random sampling techniques. The findings revealed that insurance companies provide financial services to some substantial number of people in the economy and that insurance helps in capital accumulation than payment of reparation of loses.

Peter and Kjell (2006) worked on the relationship of insurance and economic growth, a theoretical and empirical analysis. They applied a cross country panel data analysis using annual insurance premium data from 29 European countries over the 1992 to 2004 period. They observed a weak evidence for a growth-supporting role of life insurance and explain this with similarities to recent bank and stock sector findings.

Haiss and Sümegi (2008) applied a cross country panel data analysis from 29 European countries in the period from 1992 to 2005 to study the relationship between insurance companies and economic growth in Europe. Ordinary least squares (OLS) estimate and time-fixed effects were used in data analysis. They observed that there is a positive impact of life insurance on GDP growth in the 15 European countries; while non life insurance has a larger impact in Central and Eastern Europe.

Wadlamannati (2008) examined the effects of insurance growth and reforms along with other relevant control variables on economic development in India in the period from 1980 to 2006. Growth of insurance was penetration (life, non-life and total insurance). Using Ordinary Least Square (OLS), co-integration analysis and error correction models (ECM), the study finds that reforms in insurance sector do not affect economic activities; but their growth has positive impact oneconomic growth.

Marijuana, Sandra and Lime (2009) empirically examined the relationship between insurance sector development and economic growth in 10 transition European Union member countries in the period from 1992 to 2007. Their findings show that, insurance sector development positively and significantly affects economic growth. The results are confirmed in terms of life and non-life insurance, as well as total insurance.

Eze and Okoye (2013), employed unit root tests, Johansen co-integration test and error correction model with data spanning from 1980-2011. The aim of their study is to estimates and analyses the impact of insurance practice on the growth of Nigerian economy, and to determine the short and long run effect of the model. The study observed that the insurance premium capital has significantly impacted on economic growth in Nigeria; that the level of total insurance investment has significantly effected on economic growth in Nigeria; and that there is causal relationship between insurance sector development and economic growth in Nigeria.

Verma and Bala (2013) employed Ordinary Least Square regression model to examines the relationship between the life insurance and economic growth in India. The total life insurance premium (TLIP), and total life insurance investment (TLII), are used as proxy for life insurance and Gross Domestic Product (GDP) is used for the economic growth. The data has been compiled from the Handbook on Indian Insurance Statistics, IRDA annual reports and economic survey for the time period 1990-91 to 2010-11. The Ordinary Least Square regression model is used for data analysis. The Breusch-Godfrey Serial Correlation LM, Heteroskedasticity: Breusch-Pagan-Godfey, Jarque- Bera, Collinearity Diagnoses tests were applied to check robustness of the OLS regression model. The results provide empirical evidence that life insurance has both positive as well as significant influence on the economic growth in India.

Akinlo (2013), in his work on causal relationship between insurance and economic growth in Nigeria over the period 1986-2010. Employed The Vector Error Correction model (VECM). The cointegration test shows that GDP, premium, inflation and interest rate are cointegrated when GDP is the edogeneous variable. The granger causality test reveals that there is no causality between economic growth and premium in short run while premum, inflation and interest rate Granger cause GDP in the long run which means there is unidirectional causality running from premium, inflation and interest rate to GDP. This means insurance contributes to economic growth in Nigeria as they provide the necessary long-term fund for investment and absolving risks.

Hussels, Ward and Zurbruegg (2000) examined short and long dynamic relationships between economic growth, measured by annual real GDP, and insurance industry, measured by total real premiums, for nine OECD countries for the period 1961-1996. As additional explanatory variables they used changes in private saving rates, the general government budget surplus, population size, the general government level of current expenditure and youth plus old age dependency ratios, measured as the proportion of the total population under 16 and over 65 years of age. Based on bivariate VAR methodology to test for Granger causality⁴ authors found that the causal relationship between economic growth and insurance market development vary across countries. They did not determined the exact causes although they express their suspicions that possible causes are country-specific nature of cultural, regulatory and legal environment, the improvement in financial intermediation and the moral hazard effect of insurance.

Adams, Andersson, Andersson and Lindmark (2009) analyze long-run historical relation between banking, insurance and economic growth in Sweden using time-series data from 1830 - 1998. They use econometric tests for co integration and Granger causality to identify conjoint effects of banking and insurance and economic growth. In addition to the whole period, they use Granger causality tests for three sub-periods (1830-1888, 1889-1948 and 1949-1998). They use log of annual per capita growth in the rate of real GDP to measure national economic growth, data for the total (central, commercial and savings) annualized amount of real bank lending to the non-bank public on a per capita basis to represent bank credit variable and real annualized value of total premiums (life and non-life) per capita to represent insurance penetration variable. They found that the development of bank lending activity preceded economic growth in Sweden during the

nineteenth century and increased the demand for insurance, while Granger causality was reversed in the twentieth century. Additionally, they found that in later sub-periods insurance development fosters demand for banking services but only in times of economic prosperity. Their results for the entire period indicate that banking has the predominant influence on both economic growth and the demand for insurance while insurance market appears to be driven more by the pace of economic growth rather than leading economic development.

The above empirical review of related research work proved that insurance industry business activities contributes to economic growth, that there is a significant and causal relationship between insurance business and economic growth. It was also seen from the empirical reviews that life insurance business has significant effect on economic growth only in develop countries, while it's significant effect is not found in developing countries.

3 RESEARCH AND METHODOLOGY

3.1 INTRODUCTION

The study examined the significance of the causality relationship between life insurance business and economic growth in Nigeria. In this section, the researcher presented the research design, source of data collection, method of data analysis, testing of hypotheses, and discussion of results.

3.2 RESEARCH DESIGN:

In this research work, the researcher will employ ex-post facto analytical research design. It is an Ex-post facto research because the researcher makes use of existing data rather than new data gathered specifically for the study.

3.3 SOURCE OF DATA COLLECTION

The researcher used only secondary method of data collection in obtaining data for the work. The data were sourced from Nigeria Insurance Digest and IMF world economic data.

3.4 MODEL SPECIFICATION

The Pearson's Product Movement Correlation Coefficient is used in this study. The correlation matrix was run using SPSS 19.0.

3.5 TESTING OF HYPOTHESES

In this section the researcher analyzed the significant causal relationship between life assurance business and economic growth of Nigeria from 2000-2011.

HYPOTHESIS I

There is no significant causal relationship between life assurance business and economic growth of Nigeria.

Table 1. Structure showing life insurance premium and GDP (in Billion)

Year	Life Insurance Premium (b)	GDP(b)
2000	5.1	4717.33
2001	6.4	4909.53
2002	8.3	7128.20
2003	10.2	8742.65
2004	12.2	11673.60
2005	12.9	14735.32
2006	12.7	18709.79
2007	15.8	20874.17
2008	29.3	24552.78
2009	34.3	25102.78
2010	39.8	29584.84
2011	54.3	36552.84

Source: Nigeria Insurers Digest and CBN Statistical Bulletin

Table 2. causal relationship between life assurance business and economic growth of Nigeria (in Billion)

		GDP	Life Insurance Premium
GDP	Pearson Correlation	1	.945**
	Sig. (1-tailed)		.000
	N	12	12
Life Insurance Premium	Pearson Correlation	.945**	1
	Sig. (1-tailed)	.000	
	N	12	12

SPSS 19.0. Correlation is significant at the 0.01 level (1-tailed).

4 DISCUSSION OF THE RESULTS

Life insurance premium has a positive relationship and a significant relationship with GDP in Nigeria. The strength of the relationship of .945 indicates a very high degree of positive relationship between life insurance premium and GDP. The significance value .000 indicates that the relationship is not only positive but highly significant. The null hypothesis is rejected. It is therefore, observed that there is significant causal relationship between life insurance premium and economic growth (GDP) in Nigeria.

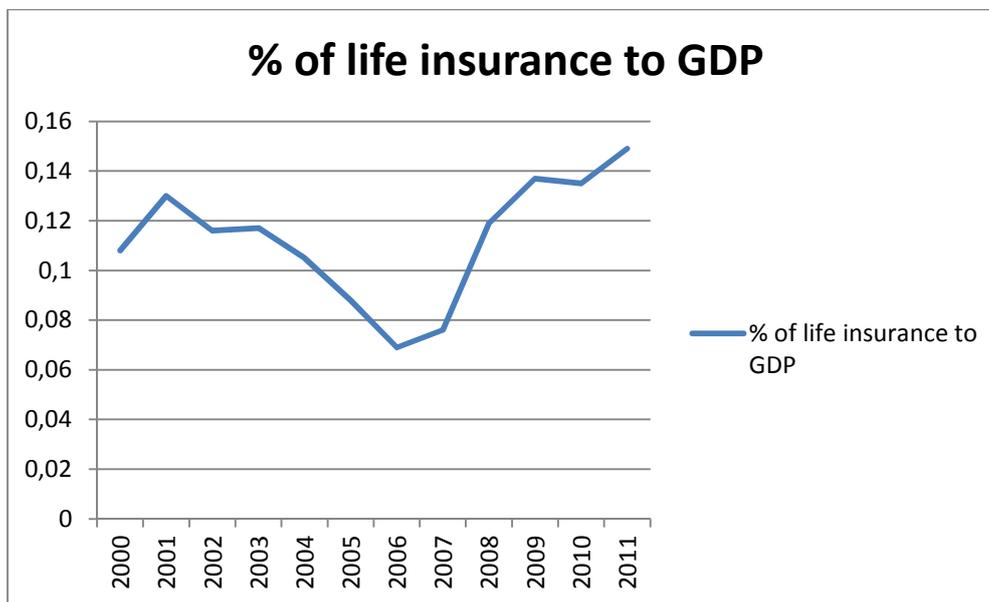
Table 3. life insurance percentage to GDP

Year	Life Insurance Premium (b)	GDP(b)	Percent of life insurance to GDP
2000	5.1	4717.33	0.108
2001	6.4	4909.53	0.130
2002	8.3	7128.20	0.117
2003	10.2	8742.65	0.117
2004	12.2	11673.60	0.105
2005	12.9	14735.32	0.088
2006	12.7	18709.79	0.069
2007	15.8	20874.17	0.076
2008	29.3	24552.78	0.119
2009	34.3	25102.78	0.137
2010	39.8	29584.84	0.135
2011	54.3	36552.84	0.149

Source: Filed Survey 2014.

Table 3 indicates that N5.1 billion representing 0.108% of the Nigeria GDP of N4717.3billion was generated as Life Insurance Premium in the year 2000, N6.4billion representing 0.130% of the Nigeria GDP of N4909.53billion was generated as Life Insurance Premium in the year 2001, N8.3billion representing 0.117% of the Nigeria GDP of N7128.20billion was generated as Life Insurance Premium in the year 2002, N10.2billion representing 0.117% of the Nigeria GDP of N8742.65billion was generated as Life Insurance Premium in the year 2003, N12.2billion representing 0.105% of the Nigeria GDP of 11673.60billion was generated as Life Insurance Premium in the year 2004, N12.9billion representing 0.088% of the Nigeria GDP of N14735.32billion was generated as Life Insurance Premium in the year 2005, N12.7billion representing 0.069% of the Nigeria GDP of N18709.79billion was generated as Life Insurance Premium in the year 2006, N18.8billion representing 0.076% of the Nigeria GDP of N20874.17billion was generated as Life Insurance Premium in the year 2007, N29.3billion representing 0.119% of the Nigeria GDP of N24552.78billion was generated as Life Insurance Premium in the year 2008, N34.3billion representing 0.137% of the Nigeria GDP of N25102.78billion was generated as Life Insurance Premium in the year 2009, N39.8billion representing 0.135% of the Nigeria GDP of N29584.84billion was generated as Life Insurance Premium in the year 2010, N54.3billion representing 0.149% of the Nigeria GDP of N36552.84billion was generated as Life Insurance Premium in the year 2011,

Graphical representation of the penetration rate of life insurance premium to GDP



The graph represents the penetration rate of life insurance premium to GDP; it shows the level of development of life insurance sector in Nigeria. It measured the ratio of life insurance premium underwritten in a particular year to the GDP, and it can be proved that life insurance premium has not been able to make meaningful contribution to the nation's Gross Domestic Product (GDP).

This result of the poor penetration rate of life insurance premium to GDP could be attributed to the poor enforcement of the compulsory group life insurance policy, and first major recapitalization process, which was introduced by the insurance Act 2003. Section 9 of the Act raised the minimum capital requirement by as much as 650%. This recapitalization exercise, which made the number of insurance to reduce, might be the contributory cause of poor penetration rate of life insurance premium to GDP from 2003 to 2006. The new consolidation exercise conducted in September 2005, which was to be complied with by the end of February 2007 aid the life insurance business to perform well from 2007. The graph also proved the findings of Beck and Webb (2002); Arena (2008); Peter and Kjell (2006); Hais and Sumeji (2008); Ward and Zurbruegg (2000); Catalan, Impavido and Musaeth (2000), that the life insurance market development vary across countries and that life insurance business contribute to economic growth in the developed countries, but many developing countries still experience very low level of life insurance consumption, which affected economic growth.

5 CONCLUSION AND RECOMMENDATIONS

Life is business that provides a measure of financial security, enhance savings, accumulate capital and enhance economic performance of a country. This research work has proved, irrespective of the role of life insurance companies that the life

insurance business has not effectively contributed to economic growth of Nigeria economy. It is evidence from the result of the study that life insurance consumption is low in Nigeria that individual and corporate organizations have failed to embrace the important life insurance policies.

The study recommended that the National insurance commission (NAICOM) should ensure that organizations embrace the compulsory group life insurance policy, and sanction those that failed to comply with the stipulations of Insurance Act 2003.

National insurance commission (NAICOM) should ensure that there is a high level of transparency initiative and efficiency in Nigeria insurance industry. This will go a long way in mitigating the factor that affects individuals and organizations in embracing life insurance policies in Nigeria.

There should also be adequate and effective sensitization, workshop, seminar etc. on the benefits of life insurance policies, the role it play, how it works and its impact on economic growth and development.

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