IMPACT OF ACTIVE AND INDEPENDENT BOARD ON THE GROWTH OF THE LIFE INSURANCE COMPANIES IN INDIA

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ABSTRACT

The present paper is an attempt to see the impact of the active and independent board on the growth of the Indian life insurance companies. The study is carried out with the help of secondary data gathered from the annual reports of the Indian life insurance companies and IRDAI. The data was analyzed with the help of SPSS software by using the multiple regression model. The study exposed that the active and independent board of the life insurance companies have a significant relationship with all the growth variables taken in the study for the life insurance companies and the board size, independent directors and the meetings of audit committee were also found to be a significant component of the active and independent board. This suggests that the active and independent board plays a relevant and crucial role in improving the growth of life insurance companies. Hence, it can be said that the growth of the life insurance company was observed to be more associated with the number of board members, percentage of independent directors in the board and the number of audit committee meetings held in any financial year and by increasing these variables, the value of the growth variables will also increase. The operational experience of the firms represented by the age in the study also found to be playing a very important role affecting the variable number of agents significantly. It means the more is the age of the company, the more will be the agents of the life insurance company. On the basis of the study, the life insurers are advised to increase the size of the board and the number of independent directors in the board, as it will increase the total premium and the first year premium collection. By increasing the proportion of independent directors in the board of the life insurance players, the number of policies and the number of offices will also be affected. It is also suggested that the life insurance companies should convene more audit committee meetings as it will result in enhancement of the total and first-year premium and the number of policies also.

KEYWORDS: *Life Insurance, Growth, Premium, Independent Directors, Managerial Remuneration*

JEL Classification: *G22, G34.*

INTRODUCTION

Corporate Governance is a mechanism in which financial, managerial, legislative and other controls of corporate sectors are defined. The relationship between the Directors in the Board, senior management and the various shareholders is explained in corporate governance. It clearly explains the roles, responsibilities and the accountability with the built-in checks and balances within an organization. In recent times the Corporate Governance has received importance due to the bad state of governance and not very strong internal controls in the corporate entities, as this has been linked with a major

failure of corporates. The financial sector units accept the public liabilities for the completion of certain contracts. In such cases, the relationship is fiduciary with an increased responsibility of protecting the interests of all the stakeholders. The financial sector is required to develop a more detailed structure for governance because it has to play a very important role in economic development. The financial strength of these financial bodies is also very essential for the development of the financial sector of the economy. In the insurance sector, for the protection of the interests of the policyholders, the regulatory body is required to ensure that all the insurers incorporate good practices for governance. It is the responsibility of the insurers to install such mechanisms that there will be good practices for corporate governance and the regulatory bodies should ensure that the insurers are taking necessary steps for that. The insurance sector has gained importance for the corporate governance as these companies have also become part of financial corporations and more attention is needed for the management of overall risk to prevent any financial shock to the economy. The Insurance Regulatory and Development Authority of India (IRDAI) had formed the governance responsibilities of the Board of Directors for managing the insurance functions under different rules and regulations issued by it for the different operational areas.

Literature Review

To find out the various gaps in research, the available literature related to the problem was reviewed. A few studies were found to cover the growth aspect in terms of the premium collection, number of policies, number of offices etc. These are discussed in brief below.

Chaudhary, Sonika et al. (2011) in their paper had summarised that there was a huge expansion in the life insurance sector after 2000 in the count of offices, agents, new policies of business and the income from the premium. Moreover many new types of insurance products (eg. Unit Linked Insurance Plans, pension plans etc.) and riders were issued by the life insurance companies to fit the needs of many present and potential investors. The new business channels of marketing were adopted by the private life insurance companies as compared to LIC. The difference was also found in the investment pattern of LIC and private life insurers.

Srivastava, Arnika et al. (2012) has concluded in their study that Indian life insurance sectorwas one of the sectors that were observing good growth when almost all the sectors in the whole world were trying hard to survive during the economic meltdown. The regulatory authority, IRDAI has played a very important role in the growth of the insurance sector through its different policies and by issuing guidelines. By opening the insurance sector for private insurers a tough competition was introduced for the LIC and it also broke the monopoly of LIC. This resulted in bringing new products, new pricing, many different distribution channels, and innovative marketing in the industry. The insurance sector has a great potential to grow because even fifty percent of the insurable population of India has not been insured by the insurance industry. The improvement in insurance density and insurance penetration is required to achieve this objective. It was concluded in this study that by following a meaningful strategy and the support and guidance from the government and IRDAI, Indian life insurance sector will definitely be able to emerge as a new insurance giant in the years to come.

Sharma, Vikas et al. (2012)has found in their paper that 2000 onwards when the Indian life insurance industry was made available for the private sector, there was expansion in terms of count of offices, agents, new business policies and income from premiums. But the problem that was observed was that the business of new life insurers was concentrated in favor of some selected areas of the country. The business channels of marketing of the private life insurers

were new and different from the LIC. The solvency ratio of private life insurers was found to be much better than LIC, in spite of big losses suffered by the private insurers.

Chilumuri, Srinivasa Rao (2013) in his paper has observed that the life insurance companies were displaying negative growth but on the other hand, the non-life insurance companies were showing positive growth during 2011-12 as compared to the previous years. The study suggests that the public sector life insurers should try to increase their premiums by the channels of corporate agents and brokers. On the other hand, the private sector life insurers should use direct selling and brokers' channels to increase their premiums. In the study, it was found that SBI Life Insurance is operating successfully through different channels of premium collection. The SBI Life Insurance Company Ltd. has shown a good operational performance and growth, including the profits and the assets under management. It was also observed that the market share of SBI Life Insurance in the private insurance sector has increased but in the total insurance market, the share has decreased. So, the appropriate steps should be taken by the SBI Life Insurance to improve the market share in the total insurance market. It is suggested that the SBI life insurance should improve in the broker and direct selling channels in case of individual insurance segment and in case of group insurance segment efforts should be taken to improve the performance of individual agents and broker channel. Benefits paid to policyholders were also found to be good in case of SBI life insurance. The SBI Life Insurance was proposed to focus on increasing the health insurance plans for the economically weaker section of the society who are not able to bear the hospital expenses.

Solomon, Fadun, Olajide (2013) in his paper has examined the opportunities and challenges of corporate governance and the growth of insurance companies in Nigeria. It was found in the paper that for insurance companies' good corporate governance is beneficial as it helps in the growth of the insurance industry. At the same point of time, it helps in promoting transparent transactions and in improving the profitability of the firms. The findings showed that the growth of insurance companies in Nigeria can be enhanced by having strong rules for good corporate governance for the insurance sector. It was also found that by having good corporate governance safe and sound insurance practices can be promoted. The researcher also said that strong corporate governance is essential for the good running of insurers and for promoting growth and having more confidence of the public. The insurance companies in Nigeria were also found to be well equipped to support the country's economy. The insurance sector would also be able to support the country by playing the role of financial intermediation and by moving the resources to the important segments of the economy.

Rajasekar, D. et al. (2014) in their paper has observed that private life insurers have begun increasing their market share and working very hard to increase their number of customers. Due to so much efforts of these companies, the number of life insurance offices has risen from 2,199 in 2001-02 to 11,546 in 2010-11.The premium income, the new policies and the market share of private life insurers and the level of penetration have increased in the life insurance sector. It proves that the growth of private life insurers has affected the performance of the LIC. On the basis of the findings some recommendations were also given**.** The regulatory body should be made the policy on the Bancassurance. The conflict between the interest of banks and the insurance companies should be resolved. A healthy competition will be observed by the life insurance companies if the developing markets are opened for them.

On the basis of the above review, it was found that there is a vacuum of research in India in the areas of corporate governance in Life Insurance Sector suggesting needs for further studies. None of the researcher who has covered the life insurance sector has studied the impact of the active and independent board on the growth of the life insurance sector. In

the last few years, the growth in life insurance companies has been very slow. The poor performance may be due to lack of good corporate governance. The insurance sector is growing at a very slow pace. The premium collection is not of global standards. So, there was a need to conduct a study to check how corporate governance is impacting the growth of life insurance companies. In this study, an attempt has been made to enrich the existing limited research on life insurance and life insurance-related companies and to fill the abovementioned research gaps. On this background, the study design empirical investigation to explore the impact of the active and independent board on the growth of Indian life insurance companies.

Objective of the Study

On the basis of the gaps observed through the review of the related literature and the statement of the problems framed for the purpose of the study, the following objective is set for the present study:

To study the impact of the active and independent board on the growth of the life insurance sector in India.

RESEARCH METHODOLOGY

Population, Sample and Time Period of the Study

All the life insurance companies working in India were taken as the population and sample for the study. In India, there are twenty-three life insurance companies in the private sector and only one in the public sector i.e. Life Insurance Corporation of India (LIC). Therefore, the sample size is twenty-four.

The time period for the study is from 2005-06 to 2014-15. The data for all the variables of active and independent board and growth variables were taken from 2005-06 to 2014-15 for the sampled life insurance companies in India.

Data Collection

The study was conducted by collecting data through secondary data sources. Secondary data in relation to growth and the corporate governance information were gathered from the annual reports of the life insurance companies and IRDAI. Various journals, books, financial newspapers, magazines, dailies and weekly reports of various institutions and online journals like J Store, Sage publications etc. were also used.

Data Analysis Methods

The analysis in this paper was done with the help of statistical package SPSS (Statistical Package for Social Sciences) for finding out the impact of the active and independent board on the growth of the Indian life insurance companies. The techniques used for the analysis of the collected data includes the descriptive statistics, Karl Pearson's correlation coefficient and Multiple regression.

Meaning and Measurement of Variables

The aim of the study is to explore the impact of the active and independent board on the growth of the life insurance companies. The dependent and independent variables used in the paper are explained below:

Independent Variables

The variables of the active and independent board are the independent variables in the present paper which are explained below:

- TD: Total directors in the board.

- ID: Percentage of independent directors in the board.

- BIL: Percentage of directors having board interlocking[1].

- MR: Average total remuneration of each executive director in the board.

- BM: Board Meetings held during a financial year.

- ACM: Audit Committee meetings held in a financial year.

- ICM: Investment Committee meetings held in a financial year.

The average of the data from 2005-06 to 2014-15 was taken in the study for all the variables of the sampled companies.

Dependent Variables

The total premium (TP), first-year premium (FYP), number of offices (NOO), number of policies (NOP), and number of agents (NOA) were used as the dependent variables for the growth variable. The data about these variables were available in the annual report of the concerned life insurance company as well as the annual report of the IRDAI. These variables are taken to measure the growth because an increase in any of these variables over a period of time clearly indicates that the company is growing which in turn leads to the growth of the insurance industry. Hence it is the opinion of the researcher that these variables can be used for measuring the growth of the life insurance companies. Moreover, these variables are also used in the earlier studies. For all the growth variables the average of the data of the sampled companies from 2005-06 to 2014-15 was taken in the study.

Control Variables

Control variables are the variables which are kept constant to determine the relationship between the dependent and the independent variables. The growth of the company depends on many factors like sales, size, operational experience of the firm etc. (Zeitun and Tian, 2007, Hovey et al., 2003). In the present study two control variables were used in the data analysis model for controlling the effect of these factors; size (represented by the total assets)and operational experience (represented by the age of the firm). The abovementioned control variables are the most common control variables used in the earlier studies. The average of the total assets of the sampled companies from 2005-06 to 2014-15 was taken in the study.

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[1] Board Interlocking is the phenomenon in which a director is board member in more than one company. In this way a link is established between all the companies in which he/she is a director.

Methods of Data Analysis

On the basis of the cause and effect relationship, the regression analysis was used to measure the impact of the active and independent board on the growth of the life insurance companies. The regression models used in the study is given below:

$$X_{it} = \alpha + \beta_1(TD) + \beta_2(ID) + \beta_3(BIL) + \beta_4(MR) + \beta_5(BM) + \beta_6(ACM) + \beta_7(ICM) + \beta_8(TA) + \beta_9(Age) + \varepsilon_{it}$$

Where X_{it} is alternately TP, FYP, NOP, NOO, NOA as a measure of growth of firm i in year t.

Where TD = Total Directors in the Board

ID = Proportion of Independent Directors in the Board

BIL = Percentage of Directors having Board Interlocking

MR = Average total remuneration of each executive director in the board.

BM = Board Meetings held during a financial year.

ACM = Audit Committee meetings held in a financial year.

ICM = Investment Committee meetings held in a financial year

TA = Total Assets

Age = Operational Experience of the life insurance company

TP = Total Premium

FYP = First Year Premium

NOP = Number of Policies

NOO = Number of Offices

NOA = Number of Agents

ε_{it} = residual error of firm i in year t.

Analysis

Descriptive Statistics

The descriptive statistics are displayed in Table 1. The mean score for the total premium of all the life insurance companies is Rs. 10, 31,794.833 lakhs. Only the Life Insurance Corporation of India and the ICICI Prudential Life Insurance Company have the total premium greater than the mean score and the least was of the Edelweiss Tokio. Rest of all the life insurers have the total premium lower than the average. ICICI Prudential, SBI Life and LIC of India have their first-year premium greater than the average of Rs. 4, 15,603.67 lakhs.

Table 1: Descriptive Statistics I of Growth Variables

Variables	Mean	Std. Dev.	Min	Max
TP(Rs.)	1031794.833	3637113.27	9242	18035466
FYP (Rs.)	415603.67	1377589.49	6534	6842396
NOP	1488.77	6341.77	18.29	31249.8
NOA	96546.87	246428.23	4.86	1224714.1
NOO	435.59	724.42	27	3463.44
TD	9.9	1.59	5.8	12.5
ID	28.895	7.89	17.12	42.86
MR (Rs.)	28471402.43	22055497.12	2981700	83213017.4
ACM	4.36	0.67	4	6.25
BM	4.8	0.88	4	7
ICM	4.32	1.43	4	11
BIL	64.15	21.52	22.22	100

Source: Researcher's Calculations through SPSS.

In the case of a number of policies issued during any financial year, LIC of India is again leading the life insurance market as it has issued more policies than the average number of 1488 thousand. In case of the number of agents, the mean score is 96546.87 and Bajaj Allianz, BSLI, HDFC Life Insurance Company, ICICI Prudential Life Insurance Company, Reliance Life Insurance and the public sector giant LIC of India have more agents than the average mean statistics. Bajaj Allianz, BSLI, HDFC Life Insurance Company, ICICI Prudential Life Insurance Company, LIC of India, SBI Life Insurance Company and Reliance Life insurance has more offices than the average number of offices of 436. The mean score for the managerial remuneration is Rs. 2,84,71,402. Aviva lifeinsurance company, HDFC life insurance company, ICICI Prudential life insurance company, Max India life insurance company, Tata AIA life insurance company, Canara HSBC Life Insurance company, India First Life Insurance company, and Bharti AXA life insurance company have given more remuneration than the average value. In this case, LIC has given only Rs. 82,12,800 as the remuneration. The maximum number of directors is 13 and the minimum is 6 in all the companies taken together. Reliance Life has the smallest and the ICICI Prudential has the largest board size of all the companies.

Table 2 throws light on the descriptive statistics related to the skewness, kurtosis and the normality test Shapiro Wilk.For a distribution to be normal, the values for skewness and Kurtosis should be in between minus one to plus one. If the significant value of Shapiro Wilk is greater than 0.05, then also the distribution is termed as normally distributed. In this case the variables total premium, first year premium, number of offices, total directors, proportion of independent directors in the board, board interlocking and managerial remuneration are normally distributed as their probability of Shapiro Wilk is greater than 0.05 as well as their values of skewness and kurtosis is lying in between minus one to plus one.

Table 2: Descriptive Statistics II of Growth Variables

Variables	Skewness	Kurtosis	ShapiroWilk	Prob.
TP	0.692	1.485	0.963	0.504
FYP	0.772	1.562	0.957	0.378
NOP	1.757	5.098	0.846	0.002
NOA	-1.825	6.379	0.852	0.002
NOO	0.361	-0.457	0.967	0.598
TD	-0.816	0.827	0.955	0.352

Table 2 Contd.,				
ID	0.2	-1.235	0.945	0.216
BIL	-0.229	-0.875	0.969	0.65
MR	-0.651	0.001	0.938	0.149
ACM	1.883	2.478	0.629	0
BM	0.801	-0.357	0.875	0.006
ICM	4.784	23.168	0.257	0

Source: Researcher's Calculations through SPSS.

Correlation Analysis

Karl Pearson's Correlation Coefficient was used to test the association of active and independent board with the growth of the life insurance companies. Its value lies in between minus one to plus one. Minus one refers to perfect negative correlation and plus one refers to perfect positive correlation. Table 3 is expressing the coefficients of correlation between the growth and active and independent board variables.

Table 3: Correlation Analysis of Growth Variables and Active and Independent Board Variables

Variables	TP	FYP	NOP	NOA	NOO	TD	ID	BIL	MR
TP	1								
FYP	0.990**	1							
NOP	0.887**	0.875**	1						
NOA	0.575**	0.563**	0.786**	1					
NOO	0.827**	0.801**	0.914**	0.829**	1				
TD	0.439*	0.440*	0.245	0.05	0.166	1			
ID	0.351	0.353	0.415*	0.463*	0.504*	-0.245	1		
BIL	0.002	-0.016	-0.052	0.143	0.046	0.021	0.275	1	
MR	0.096	0.047	-0.04	-0.011	0.023	0.264	-0.319	-0.004	1
ACM	0.475*	0.496*	0.559**	0.345	0.408*	0.086	0.362	-0.076	**-0.521
BM	-0.077	-0.053	-0.03	-0.043	-0.105	-0.316	0.199	-0.261	-0.397
ICM	0.625**	0.633**	0.762**	0.4	0.520**	0.225	0.235	-0.281	-0.231
TA	0.989**	0.976**	0.909**	0.593**	0.837**	0.445*	0.345	0.017	0.082
Age	0.786**	0.770**	0.885**	0.576**	0.711**	0.287	0.362	-0.142	-0.152

Table 3 Continued

Variables	ACM	BM	ICM	TA	Age
ACM	1				
BM	0.327	1			
ICM	0.547**	0.13	1		
TA	0.508*	-0.069	0.688**	1	
Age	0.527**	0.021	0.939**	0.831**	1

Source: Researcher's Calculations through SPSS.

Note: ** Correlation is significant at 1 per cent level.* Correlation is significant at 5 per cent level.

The variable total directors have a low positive correlation with all the growth variables and the correlation coefficient (r) is significant in case of total premium and the first year premium growth variable at 5 per cent level of significance (Table 3). Independent directors are also having low correlation with all the growth variables and r is significant in case of the number of policies, number of offices and number of agents, growth variables at the 5 per cent level of significance. Audit committee meetings are also observed to be significant in the case of all the growth variables except the number of agents. Investment committee meetings are found to be highly correlated to the number of policies (0.762) and it is also associated with all the growth variables at 1 per cent level of significance except the number of agents. The control variables age and the total assets are observed to be highly correlated with all the growth variables and also associated significantly at 1 per cent level of significance for all the growth variables. Hence, it can be concluded that the active and independent board variables are associated with the growth variables of the life insurance companies.

Regression Analysis

The correlation analysis only tells about the direction of the association among the different variables. To know the impact of this association, the regression analysis is required.

The relationship between the growth and the active and independent board is also checked with the help of the **Multiple Regression**.

The regression model for this association is:

$X_{it} = \alpha + \beta_1(TD) + \beta_2(ID) + \beta_3(BIL) + \beta_4(MR) + \beta_5(ACM) + \beta_6(BM) + \beta_7(ICM) + \beta_8(TA) + \beta_9(Age) + \varepsilon_{it}$

Where X_{it} is alternately TP, FYP, NOP, NOA, NOO as a measure of the growth of firm i in year t.

The table 4 is depicting the coefficients and also testing the fitness of the model made for testing the relationship in between the total premium and the active and independent board.

Table 4: Regression Statistics of Total Premium and Active & Independent Board

Variables[2]	Coefficients	t value	Prob.	Tolerance	VIF
Constant	-11.743	-1.335	0.2		
TD	0.394	2.106	0.05	0.732	1.366
ID	0.089	2.284	0.035	0.691	1.448
BIL	-0.008	-0.622	0.542	0.802	1.248
MR	0.628	1.765	0.096	0.605	1.652
ACM	5.908	2.388	0.029	0.565	1.769
BM	-0.868	-0.487	0.632	0.691	1.448
R^2			0.592		
Adjusted R^2			0.447		
F-Statistics			4.103		
P-Value			0.01		

Source: Researcher's Calculations through SPSS

The first growth variable taken is **total premium**. The following hypothesis was tested.

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[2] SPSS software has not taken the investment committee meeting (ICM) variable in the multiple regression. Total assets and age were also found to be collinear with other variables hence these two variables were also not used in the growth variables (except number of agents).

$H_0$1: The total premium of the life insurance companies is not dependent upon the active and independent board.

Table 4 is portraying that the R square value is 0.592 which shows that 59.2 percent of the variation in the total premium is due to the variables of the active and independent board.The p-value is 0.01 which is less than 0.05. So the null hypothesis is not accepted. It indicates that the active and independent board are significantly affecting the total premium. The p values of total directors (0.05), independent directors (0.035) and audit committee meetings (0.029) are less than the value of α (0.05) proving that these explanatory variables are significant. The coefficient of total directors was found to be 0.394. The collinearity statistics of the independent variables are depicted by the tolerance value and the VIF (Table 4). If the tolerance value is <0.9, then the independent variables are not correlated and if 1< VIF<5, then the independent variables are moderately correlated. In the case of total premium, all the independent variables have tolerance of less than 0.9 and VIF is also less than 2. Hence, in this case, the problem of multicollinearity does not exist.

Hence, it can be inferred that the total premium is affected by active and independent board.

The following regression equation was obtained:

TP = -11.743+0.394TD+0.089ID-0.008BIL+0.628MR+5.908ACM-0.868BM

The next growth variable is **first-year premium**. The following hypothesis was made for this growth variable:

$H_0$2: The first year premium of the life insurance companies is not dependent upon the active and independent board.

The table 5 is portraying the coefficients and also testing the fitness of the model made for testing the relationship in between the first year premium and the active and independent board.

Table 5: Regression Statistics of First Year premium and Active & Independent Board

Variables	Coefficients	t value	Prob.	Tolerance	VIF
Constant	-9.225	-1.105	0.284		
TD	0.39	2.194	0.042	0.732	1.366
ID	0.082	2.239	0.039	0.691	1.448
BIL	-0.009	-0.714	0.485	0.802	1.248
MR	0.487	1.443	0.167	0.605	1.652
ACM	5.379	2.291	0.035	0.565	1.769
BM	-0.747	-0.442	0.664	0.691	1.448
R^2			0.583		
Adjusted R^2			0.435		
F-Statistics			3.956		
P-Value			0.012		

Source: Researcher's Calculations through SPSS.

The coefficient of determination was found to be 0.583 (Table 5). It shows that 58.3 percent of the change in the dependent variable first year premium is explained by the independent variables. These variables are significant also as p-value (0.012) is less than 0.05. So, the null hypothesis is not accepted, which proves that the first year premium is dependent upon the active and independent board. The total directors (0.042), a proportion of independent directors in the board (0.039) and the number of audit committee meetings (0.035) are also important variables for the first year premium as their p values are less than 0.05 level of significance. The regression coefficient of the independent directors is 0.082.

There is no problem of the multicollinearity as none of the independent variables have tolerance value greater than 0.9 and VIF values are also less than 2.

It can be concluded that the first year premium is influenced by the active and independent board.

The following regression equation was obtained:

FYP = -9.225+0.39 TD +0.082 ID-0.009 BIL +0.487 MR +5.379 ACM-0.747 BM

For the third growth variable number of policies, the following hypothesis was made and tested.

$H_0$3:Active and independent board has no linear relationship with the number of policies issued by the life insurance companies. Table 6 is describing the coefficients and also verifying the model made for testing the relationship between the number of policies and the active and independent board.

Table 6: Regression Statistics of Number of Policies and Active & Independent Board

Variables	Coefficients	t value	Prob.	Tolerance	VIF
Constant	-13.303	-1.514	0.148		
TD	0.164	0.877	0.393	0.732	1.366
ID	0.082	2.118	0.049	0.691	1.448
BIL	-0.013	-0.95	0.356	0.802	1.248
MR	0.473	1.331	0.201	0.605	1.652
ACM	6.669	2.699	0.015	0.565	1.769
BM	-1.686	-0.948	0.356	0.691	1.448
R^2			0.545		
Adjusted R^2			0.385		
F-Statistics			3.4		
P-Value			0.022		

Source: Researcher's Calculations through SPSS.

The variables of the active and independent board are showing a linear relationship with the number of policies issued by the life insurance companies as the p-value is 0.022 which is lower than the alpha (0.05). The coefficient of determination is 0.545. This shows that 54.5 percent of the change in the dependent variable is caused by the independent variables. In this model, the independent directors (0.049) and the audit committee meetings (0.015) come out to be the significant variables as their p values are less than 0.05. The problem of multicollinearity was not found as the tolerance of the independent variables is less than 0.9 and VIF is also less than 2 (Table 6). On the basis of the above analysis, it can be said that the number of policies is affected by the active and independent board. The regression equation is:

NOP = -13.303 + 0.164 TD +0.082 ID -0.013 BIL +0.473 MR +6.669 ACM -1.686 BM

The next growth variable is number of agents and the hypothesis for the same is as following:

$H_0$4: The active and independent board does not affect the number of agents of the life insurance companies.

Table 7: Regression Statistics of Number of Agents and Active & Independent Board

Variables	Coefficients	t value	Prob.	Tolerance	VIF
Constant	-0.318	-0.053	0.958		
TD	-0.012	-0.088	0.931	0.718	1.392
ID	0.024	0.765	0.457	0.513	1.949
BIL	0	-0.034	0.973	0.745	1.342
MR	0.327	1.324	0.207	0.577	1.734
ACM	2.08	1.171	0.261	0.653	1.531
BM	-0.998	-0.822	0.425	0.658	1.519
Age	0.252	4.077	0.001	0.578	1.731
R^2			0.768		
Adjusted R^2			0.652		
F-Statistics			6.623		
P-Value			0.001		

Source: Researcher's Calculations through SPSS.

Table 7 is establishing that the active and independent board of the life insurance companies affects the number of agents as the p-value is 0.001 which is much less than the 5 percent level of significance. The r square value is 0.768 which says that 76.8 percent of the variation is explained by the independent variable active and independent board. In this case, the operational experience (age) of the firm is the significant variable affecting the number of agents as the p-value is 0.001. It proves that the number of agents depends upon the age of the firm. More is the age of the firm, more will be the agents of the firm. The coefficient of the variable age was found to be 0.252.The problem of multicollinearity is not there in this model as the tolerance of the independent variables was observed to be less than 0.9 and VIF was also less than 2 (Table 7).

Hence, it can be concluded on the basis of the above analysis, that the number of agents is dependent on the active and independent board.

The regression equation is:

NOA = -0.318 -0.012TD +0.024 ID + 0 BIL +0.327MR +2.08ACM -0.998BM +0.252Age

The last growth variable is the number of offices and the following hypothesis was tested:

H₀5: The number of offices are not dependent on the active and independent board of the life insurance companies.

Table 8: Regression Statistics of Number of Offices and Active & Independent Board

Variables	Coefficients	t value	Prob.	Tolerance	VIF
Constant	-7.637	-0.999	0.332		
TD	0.098	0.6	0.557	0.732	1.366
ID	0.092	2.719	0.015	0.691	1.448
BIL	-0.008	-0.728	0.477	0.802	1.248
MR	0.408	1.32	0.204	0.605	1.652
ACM	3.866	1.798	0.09	0.565	1.769
BM	-1.752	-1.132	0.274	0.691	1.448
R^2			0.497		
Adjusted R^2			0.319		
F-Statistics			2.796		
P-Value			0.044		

Source: Researcher's Calculations through SPSS.

Table 8 is indicating that the coefficient of determination is 0.497. It means that 49.7 percent of the variation in the number of offices of life insurance companies is due to the active and independent board. The null hypothesis is also rejected as the p-value (0.044) is less than 0.05 level of significance, which proves that the number of offices is affected by the active and independent board. The variable independent directors are the significant variable for the active and independent board as the p value (0.015) is less than 5 per cent level of significance. There is no multicollinearity as well in this case as tolerance is less than 0.9 and VIF of all the independent variables are also less than 2.

On the basis of the above analysis, it can be inferred that the active and independent board affects the number of offices.

The regression equation is:

NOO = -7.637 +0.098 TD +0.092 ID -0.008 BIL+0.408 MR +3.866 ACM -1.752BM

Hence, it can be concluded that all the models are fit for all the data set as p value of F statistics is highly significant, which proves that all the growth variables are dependent upon the active and independent board. There is no multicollinearity found amongst the independent variable as none of the VIF values are greater than 2. The variables total directors, independent directors and the age of the firm were found to be the significant variables.

As a result, the outcome is that all the growth variables were found to have a good association with the active and independent board. The total directors were also observed to be playing a significant role in determining the total premium and the first year premium of the life insurers. By increasing the number of directors, the life insurance companies can increase their total and first-year premium. Independent directors and the audit committee meetings were also showing a positive association with the total premium, first-year premium, and the number of policies. On the basis of this result, it can be inferred that the life insurers will be able to earn a more total premium, first-year premium and number of policies by increasing the number of independent directors in the board and by having more audit committee meetings in any financial year. The number of agents, the growth variable was also observed to be affected by the age of the firm. The more is the age of the firm the more will be the number of agents in the firm. The number of offices of the life insurance companies will also increase by increasing the number of

independent directors on the board as it is significant for this growth variable.

So, in the end, it can be said that the active and independent board is relevant for the growth of the life insurance companies.

CONCLUSIONS

The corporate governance variables- total directors and independent directors, found to have a low positive correlation with the growth variables, and the total directors were observed to be significant in case of total premium and the first year premium growth variable. Audit committee meetings were also observed to have a low degree of correlation and were significant in all the growth variables except the number of agents. Independent directors were found to be significant in the case of a number of policies, number of offices and number of agents, growth variables. The control variables- age and the total assets were highly correlated and significant for all the growth variables. Board meetings have a low negative correlation with all the growth variables.

The study exposed that the active and independent board of the life insurance companies have a significant relationship with all the growth variables taken in the study for the life insurance companies and the coefficient of determination is also more than fifty per cent in all the cases. The board size, independent directors and the meetings of the audit committee were also found to be a significant component of the active and independent board. This suggests that the active and independent board plays a very crucial role in improving the growth of life insurance companies. Hence, it can be said that the growth of the life insurance company was observed to be more related to the number of members on the board, the number of independent directors in the board and the number of audit committee meetings in any financial year and by increasing these variables, the value of the growth variables will also increase. The operational experience of the firms represented by the age in the study also found to be playing a very important role affecting the variable number of agents significantly. It means the more is the age of the company, the more will be the agents of the life insurance company.

SUGGESTIONS

On the basis of the study, the life insurers are advised to open new offices in the rural areas, hire more agents so that they can increase their number of policies issued; the premium collection and in this way their performance and profitability will also improve. The life insurers paying low remuneration to their directors are suggested to rationalize the same to have better qualified, experienced and competitive directors in their board, as, it will help them in improving their growth. The life insurers are advised to increase the size of the board and the number of independent directors on the board, as it will increase the total premium and the first year premium collection. By increasing the number of independent directors, the count of policies and the number of offices of the life insurance players will also get impacted. It is also suggested that the life insurance companies should convene more audit committee meetings as it will result in enhancement of the total and first year premium and the number of policies also.

Limitations of the Study

The researcher was not able to use the control variables total assets (TA) and age in the regression models as these two were found to be collinear with other variables (except the number of agents). The corporate governance variable investment committee meeting (ICM) was also not used in the study as the SPSS was not taking it in the multiple regression model.

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