Management Accounting System And Performance Of Quoted Insurance Companies In Nigeria

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ABSTRACT
Management accounting establishes a fundamental structure whereby economic events are measured and presented to the organizational members who are responsible for various decision-making processes. Management accounting systems thus enhance the planning process—when alternative courses of action are evaluated, choices are made, and budgets are elaborated. This study empirically investigate the Management accounting system and performance of quoted insurance companies with the purpose of finding out the relationship that exist between planning, control, efficiency, employee motivation, corporate social responsibility of quoted insurance companies in Nigeria. In order to accomplish the purpose of the study, data was sourced from 10 out of 29 quoted insurance companies selected randomly and analyzed using Multiple regression analysis. The study shows that planning and control has a positive and statistically significant relationship with efficiency, employee motivation and corporate social responsibility. From the findings, the study concluded that planning and control contribute significantly to the performance of quoted insurance companies in Nigeria. The study therefore recommends that; quoted insurance companies in Nigeria should ensure that management accounting system is a regular effective practice in the organization to help keep the organizational goals and objectives in view and bring about efficient performance.

Keywords: Management Accounting System, Performance, Quoted Insurance Companies

INTRODUCTION
The greatest challenge to humans on this earth from time immemorial has been issues arising from risk and uncertainties that amounts to material and financial losses notwithstanding the advancement in the area of science and technology over the years (Ebere and Ibanichuka, 2016). In a bid to address this challenges, insurance which is a product of human mind has been globally accepted as an important element in the safeguard of any material and personal economy because it is believed that no economy can do well in this modern age without having the support of a viable and well organized insurance industry (Ebere and Ibanichuka, 2016). The insurance industry is becoming increasingly important to economic stability and development of many nations as it helps to reduce the burden of risks of individuals and businesses (Adebanjo et al, 2017). They (insurance companies) serve as an intermediary between the household and the financial institutions who collate cash and lend them to businesses for investment. Insurance is a contract that happens between two persons or parties (insurer and insured) in which the insurer promises to indemnify the insured in case of loss. It is a method of guiding financial loss. However there is concern about poor exposure to management accounting systems among quoted insurance companies in Nigeria since there is minimal reference to the use of management accounting systems (MAS). Previous research suggested that MAS are an important tool through which management can promote efficiency, and potentially have an important influence on performance (Ghosh and Chan, 1997). In particular, within insurance companies, MAS act as the key information system that plays a vital role as an efficient information-processing (Reid and Smith, 2002). Apart from that, the availability of financial and non-financial information provided by management accounting systems permits firms to effectively face competition in the market, coping with change, surviving and thereby improves performance (Mia and Clarke 1999 and Reid and Smith, 2002). Although good management accounting systems may not by themselves guarantee success, an absence of them or poorly implemented systems may significantly reduce the firm's competitive advantages (Folk et al., 2002).
Therefore, given these advantages from MAS use and given the increasing need for companies to operate economically, effectively, efficaciously, ethically and efficiently, it is important to promote knowledge and utilization of MAS among quoted insurance companies in Nigeria so that the firms may benefit from the advantages that have been highlighted above.

**Statement of the Problem**
In Nigeria, poor performance has forced so many quoted insurance companies out of market while some have succumbed to merger and acquisition. There has been doubt in the way quoted insurance companies carry out their business because in Nigeria today, many quoted insurance companies are experiencing high failure rates. Many companies that have failed have been linked to the non-preservation or poorly implemented management accounting systems. Other reasons that have contributed to these failure rates includes; poor planning, lack of adequate working capital, lack of performance evaluation, lack of organizational innovation, lack of customer satisfaction and rapidly changing external market conditions. It is a common complaint that quoted insurance companies in Nigeria are performing below expectation as compared to companies of other industries in Nigeria. This must be a most visible effect of an underlying problem. The questions that plague the include: Are management accounting systems employed by these companies in carrying out their activities? Could there be a link between MAS and performance? It is in view of the challenges above that this research work seeks to find out if there is any relationship between Management Accounting systems and performance of quoted insurance companies in Nigeria.

**Objectives of the Study**
The core aim of this study is to empirically investigate the relationship between management accounting systems and performance of quoted insurance companies in Nigeria. Specifically, the objectives of the study are to:
(i) Determine if any relationship can exist between planning and efficiency of quoted insurance companies in Nigeria.
(ii) To find out if any relationship could exist between planning and employee motivation in quoted insurance companies in Nigeria.

**Research Questions**
Emanating from the above objectives, the questions are:
(i) To what extent does planning relate with the efficiency of quoted insurance companies in Nigeria?
(ii) What is the relationship between planning and employee motivation of quoted insurance companies in Nigeria?

**LITERATURE REVIEW**

**Theoretical Review**

**Contingency Theory**
The contingency theory of management accounting refers to the premise that there is no universally appropriate accounting system equally applicable to all organizations in all circumstances (Otly, 1980& 1994); instead, accounting systems are shaped by environmental (Harrison, 1992; Abbadi, 2013) and organizational (Chenhall and Morris, 1986) factors. These factors are considered to be contingent factors. The contingency theorists argue that management accounting systems are functions of certain contingent factors. Therefore, management accountants can follow this mantra and then design a suitable accounting system instead of believing in one best system which is available everywhere for everybody (Wickramasinghe and Alawattage, 2007). The theory focuses on contingent factors associated with a business circumstances and their relationships with organizational systems and effectiveness. Chenhall (2003) classified contingency factors that have a major effect on management accounting practices into five main elements as: environment, technology, organizational size, structure, strategy and national culture.
In the light of the discussion so far, this study indicates that the following contingency factors: top management support, technology growth, and competitive volatility will influence the management accounting system to achieve organizational performance.
Conceptual Review

The Concept of Management Accounting System as an Institution

According to Scapens (1994), the ideas incorporated in institutional theory are more appropriate than the neoclassical model for understanding some aspects of management accounting system. The institutional approach does present a valid structure for understanding an important characteristic of management-accounting systems that represent institutionalized routines. In fact, management accounting system can incorporate and be shaped by the main features of an institution thus assumed nature; stability; a collective nature; provision of meaning to behaviour; standards of behaviour; artifacts and rules. Burns and Scapens (2000) have thus used the concepts of “habits”, “routines”, and “institutions” to describe how management accounting systems can turn into routines, and how, over time, they become incorporated into an organization’s presuppositions and beliefs. A management-accounting system is an important routine (or set of routines) aiming to support managers’ decisions and to provide organizational accountability. Management accounting establishes a fundamental structure whereby economic events are measured and presented to the organizational members who are responsible for various decision-making processes. Management accounting systems thus enhance the planning process – when alternative courses of action are evaluated, choices are made, and budgets are elaborated. Management accounting system is also involved in the operational process – when actual events are identified, measured, and registered. Within this informational framework, reports are produced regularly and routinely through clearly specified rules and habitual procedures. Organisational performance is reported and evaluated, both internally and externally, according to rules and accepted conventions. In this context, management accounting systems strongly influences the course of managers’ actions (resource allocation, operational decisions, price decisions, and so on) and induces the production of the desired outcomes of the organisation. Economic events do not speak for themselves; rather, people see organisational activities in accordance with the established logic of accounting measurement, information, and evaluation. Management accounting system thus provides an institutional basis for decision-making and for structuring the formation of beliefs and expectations of the different groups of people inside organisation. It provides social coherence in organizational behaviour, and provides individuals and groups inside the organisations with a “structure of meaning” for their daily activities. When management accounting systems become institutionalised routines, the members of an organisation accept their roles in the organisational process of corporate decision-making. Apart from providing a means of representing performance, management accounting rules and procedures also play an important role in defining the rights held by groups of individuals (owners, founders, managers, workers, and so on). Management accounting systems thus gives direction to business activities, and it can be used as a conflict mediator inside an organisation.

Employee Motivation

According to Kotler (2005), leading is the process of influencing people so that they will contribute to Organization and group goals. People assume different roles and there is no average person. Motivation pertains to various drives, desires, needs, wishes and other forces. Managers motivate by providing an environment that induces organization members to contribute. The need-want-satisfaction chain is somewhat over simplified. There are different views and assumptions about human nature. McGregor’s sets of assumptions about people in his theory X and Y. Maslow’s theory holds that human needs form a hierarchy ranging from the lowest order needs (physiological needs) to the highest-order need for self-actualization. According to Herzberg’s Two-Factor theory, there are two sets of motivating factors. In one set are the dissatisfiers, which are related to the job context (circumstances conditions). The absence of these factors results in dissatisfaction. In the other set are the satisfiers, or motivators, which are related to the content of the job. Vroom’s Expectancy theory of motivation suggests that people are motivated to reach a goal if they think the goal is worthwhile and can see that their activities will help them achieve the goal.

Firm Performance

Performance is the output or result of an organization measured in financial or non-financial, or quantitative or non-quantitative terms. Performance is one type of effectiveness indicator. In relating performance to organization, YaminGunasekruan and Mavondo (1999) describe organizational performance as the extent to which an organization achieves its market oriented and financial goals. They noted that a broader conceptualization of business performance is to emphasize on indicators of operational performance (i.e. non-financial) in addition to indicators of financial performance.
Hassan, Shaukat, Naivaz, and Naz, (2013) examined organizational performance by classifying them into financial performance, innovative performance, marketing performance and production performance. Singh, Sandhu, Metri and Kaur (2010) observed that in performance measurement in any organization, focus should be on these two factors; those that relate to results and those which relates to the determinants of the result.

**Empirical Review**

This section reveals the findings of several authors who have researched on similar topics in the past. This entails empirical reviews captured by Nigerian and foreign authors.

Lucas and Prowle (2013) carried out a research on improving the performance of quoted insurance firms using management accounting systems in Poland. Using random sampling method, 250 companies were selected and contacted of which 91 responded. The result showed that there is an insignificant portion of Polish listed insurance firms applying management accounting systems. The findings indicated that, lack of knowledge about technique was responsible for many companies not adopting MAS. Secondly, Polish listed insurance companies that apply MAS were the larger ones with high cash flows and experienced management team who were in need of adequate control measures. The study concluded that there was a significant relationship between management accounting systems and performance.

Kennedy and Affleck –Graves (2001) studied the impact of management accounting systems on firm performance using a sample of 47 UK listed insurance firms adopting management accounting systems and another sample of 183 firms that had not adopted management accounting systems. Mailed survey questionnaires were used in collecting data for the study. The study also showed that firms adopting MAS were 27% better than firms not using MAS in terms of performance.

Itner, Lanen and Larcker (2002) studied the association between management accounting systems and listed insurance firm’s performance in United States. The study was conducted using data from 1997 Price Water House Coopers and industry week annual census in US. The study was conducted using a cross sectional sample of listed insurance firms. The findings indicate that extensive use of MAS is associated with higher quality levels and greater improvements in performance.

**METHODOLOGY**

**Research Design**

Research design is a framework plan, tools, which the researcher uses as a guide in collecting and analysing the data for study. The quasi-experimental design is being used because the researcher has no control over the variables.

**Population and Sampling Technique of the Study**

Population is the entire group or total number of items of interest to which the researcher wishes to study and on which the researcher will generalize the findings of his study. The population of this study is all quoted insurance companies in Nigeria which are twenty nine (29) in number. The probability sampling method was adopted as it leaves no discretion to the researcher. The random sampling technique was adopted to determine the sample size. The study is limited to ten (10) listed insurance companies in this period due to availability of data. These firms include: Alico insurance Nigeria plc, Consolidated Hallmark insurance, Cornerstone insurance company, Custodian and Allied insurance company Nigeria, Gold Link insurance Nigeria plc, Intercontinental Wapic insurance Nigeria, Niger insurance company Nigeria plc, Universal insurance company, Unic insurance Nigeria plc and Lasaco Assurance Nigeria plc.

**Methods and Sources of Data Collection**

The data collection method consisted primarily of interviews with top Managers and other staff using a semi-structured questionnaire.

**Data Analysis Techniques**

The multiple regression data analysis technique which helps for predicting, were utilized by this study to test the stated hypotheses. The statistical package for social sciences (SPSS) was also used in analyzing the data.

**Reliability and Validity of Research Instrument**

The information used in this research was questionnaire filled by the staff of the companies constituting the sample size who are well informed in matters relating to insurance companies.
The content and construct validity was used to the validity of the research instrument. Supervisor’s approval as well as efforts contributed by peers, proves the validity of the research instrument.

**Test of Hypothesis**

**Hypothesis One**

There is no relationship between planning and efficiency of quoted insurance companies in Nigeria. 

\[ \text{EFF} = f (\text{PLN}, \mu) \]

**Table 4.1. Presentation of Model Result**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>26.251</td>
<td>9.762</td>
<td>2.689</td>
<td>.015</td>
</tr>
<tr>
<td>Planning</td>
<td>-2.429</td>
<td>1.566</td>
<td>-1.551</td>
<td>.138</td>
</tr>
</tbody>
</table>

Dependent Variable: Efficiency

\[ R= 0.343 \]

\[ R^2 = 0.118 \]

\[ \text{Adj.} R^2 = 0.069 \]

\[ \text{Fcal} = 2.406 \]

\[ t_{cal} = 2.689 \]

\[ F (2, 5) = 10.13 \]

\[ t_{0.025} = 1.960 \]

\[ n = 5 \]

\[ DW = 1.045 \]

From table 4.1 above, the result of the co-efficient shows a negative relationship between Planning and Efficiency. Also, from the result computed above, \( R^2 \) is 0.12, indicating that about 12 percent of the total variation in Efficiency is explained by Planning. The remaining 88 percent is caused by other variables outside the model, but covered by the error term. The F value calculated of 2.406 is less than table value of 10.13. This implies that the overall model is significant at 5 percent level of significance. Again, the DW computed of 1.045 is less than 2 thereby planning have a higher degree of serial autocorrelation and reveals in instability of the model. The t-value computed of 2.689 is greater than the table value of 1.960; this means that the size of the planning impacts the Efficiency of quoted insurance companies in Nigeria. Consequently, upon the results of the analysis, we accept the alternative hypothesis which states that there is a significant relationship between planning and the Efficiency of listed insurance companies in Nigeria.

**Hypothesis Two**

Planning does not have any relationship with the employee motivation of quoted insurance companies in Nigeria.

\[ \text{EMV} = f (\text{PLN}, \mu) \]

**Table 4.2 Presentation of Model Result**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-.352</td>
<td>.755</td>
<td>2.466</td>
<td>.647</td>
</tr>
<tr>
<td>Planning</td>
<td>.143</td>
<td>.121</td>
<td>1.179</td>
<td>.254</td>
</tr>
</tbody>
</table>

Dependent Variable: Employee motivation

\[ R= 0.268 \]

\[ R^2 = 0.722 \]

\[ \text{Adj.} R^2 = 0.804 \]

\[ \text{Fcal} = 1.390 \]

\[ t_{cal} = 2.466 \]

\[ F (2, 5) = 10.13 \]

\[ t_{0.025} = 1.960 \]

\[ n = 5 \]

\[ DW = 1.191 \]

From table 4.2 above, the result of the co-efficient shows a positive relationship between Planning and employee motivation. Also, from the result computed above, \( R^2 \) is 0.722, indicating that about 72 percent of the total variation in employee motivation is explained by Planning. The remaining 18
percent is caused by other variables outside the model, but covered by the error term. The F value calculated of 1.390 is less than table value of 10.13 this implies that the overall model is significant at 5 percent level of significance. Again, the DW computed of 1.191 is less than 2 thereby indicating a higher degree of serial autocorrelation and reveals in instability of the model. The t value computed of 2.466 is greater than the table value of 1.960; this indicates that the size of the planning impacts the employee motivation of the listed insurance companies in Nigeria. Consequently, upon the results of the analysis, we accept the alternative hypothesis which states that there is a significant relationship between planning and the employee motivation of quoted insurance companies in Nigeria.

DISCUSSION OF FINDINGS AND IMPLICATION

This study investigated the relationship between management accounting system on performance of quoted insurance companies. The result of findings considering the test of the hypotheses formulated in the study shows that, there is a significant relationship between management accounting system and performance. However the effect was a positive one from the multiple regression of management accounting systems on efficiency, employee motivation and corporate social responsibility. The implication of this is that for any change in management accounting systems there will be a direct effect on performance. This means that a decrease in planning will cause a decrease in performance and an increase in planning will cause an increase in performance. From the result in tables, the correlation coefficient is not very close to +1 except for the correlation coefficient of management accounting systems on employee’s motivation.

CONCLUSION

In this study it was found that organizations Planning and Control are vital in driving organizational, efficiency, employee motivation, and corporate social responsibility activities. This in other words implies that a continuous adoption of management accounting system in an organization will help improve the organizations overall performance and checkmate the possible issues of mismanagement, fraud, etc.

RECOMMENDATIONS

Based on the findings and conclusions of this study, it is strongly recommended that:

1. The Quoted insurance companies in Nigeria should ensure that management accounting system is a regular effective practice in the organization to help keep the organizational goals and objectives in view.
2. The management of the organization, especially those in charge of the organizational planning, should ensure that effort are put in place to bring about efficient performance.

REFERENCES


