

# Review of: "Determinants of Corporate Financial Performance in African Insurance Market"

Solomon Aboagye<sup>1</sup>

<sup>1</sup> Lancaster University Ghana

Potential competing interests: No potential competing interests to declare.

## QEIOS

### Reviewer's Comments

**Title: Determinants of Corporate Financial Performance in African Insurance Market**

### General Comments

1. The authors pose clear-cut research questions, but contribution remains unclear.
2. Empirical methodologies are not suitable for the analysis.
3. The paper is concisely written avoiding unnecessary details.
4. Major finding relevant but underlying problem for the entire research remain unclear.
5. There are a few errors with tenses and grammar. Only a careful proofreading required to fix them.

### Abstracts

1. The abstract is a true reflection of the work, and it is well written.

### Introduction

1. The paper provides a good and clear setting of the study.
2. Major themes in the research have also been clearly defined/explained.
3. However, the study fails to discuss what the real economic problem is and thus the motivation for the study is entirely missing. As a guide you may proceed as follows
  - a. Is there any problem with the financial performance of insurance firms in Africa and for which reason you would want to uncover the underlying causes/determinants? Or you simply want to know the determinants of their financial performance even if there is no existential problem? The latter cannot form a good enough reason for scientific research.
  - b. Again, why determinants? Because there could be many other determinants, perhaps equally important or even more important than those included in the study. So, you may want to rather focus the study on just one or two of the most important/controversial or highly debated issues and simply control for the remaining factors.
  - c. Whatever choice you make in (b), you must demonstrate the exact problem with that determinant/factor. For instance,

is corporate governance a problem among Africa's insurance firms?

1. As a result of the above, the peculiar scientific contribution of the study remains unclear. Authors must establish this strongly in the revised introduction section even though a detail account of your contribution could be in the literature review section.

## Literature review

1. The literature review is poorly written.
2. There is no clear theoretical literature. In other word, you must provide the theories financial performance in general or in the insurance industry in particular.
3. It does not show any clear logical links and various strands of thoughts.
4. It demonstrates the salient gaps and how the authors intend to contribute to filling them.
5. Generally, a good literature review starts with one or two major (early) authors and explains how their thinking has inspired other researchers. It must also show clear logical links and various strands of thoughts. It is important to connect this work to the wider research literature to position your research appropriately. The section therefore needs substantial improvement. Authors may be guided as follows:
  - i. Start with a review of the theoretical aspects of financial performance and its potential determinants, especially if you want to continue the path of investigating determinants rather than some specific factors as I suggested in comment #3b in the Introduction section.
  - ii. Then present the empirical literature review with more emphasis on the main research objective i.e., evaluating the determinants of financial performance (again I'm assuming at this stage that you may want to continue with investigating determinants rather than some specific factors as I suggested in comment #3b in the Introduction section).
  - iii. Afterward, make a concluding remark on the key determinants of financial performance identified in your review of both theoretical and empirical literature.
  - iv. Also, highlight the gaps identified during the review of both theoretical and empirical literature.
  - v. At all stages, remember to relate the review with the overarching objective of the study (you still have the choice between your original objective of investigating determinants or my suggestion of focusing on some few specific factors as I suggested in comment #3b in the Introduction section).
  - vi. The table summarizing the outcome of some previous studies could still be kept at the end of the empirical literature sub-section because it gives some relevant information at a glance.

## Methodology

1. Again, what is the theoretical or conceptual framework guiding the relationship you intend to examine? Authors jumped straight into estimation strategy without providing a methodological framework (i.e., conceptual/theoretical framework) underpinning the study. This must be incorporated in the revised version. This is entirely missing and must be incorporated.

2. Using 17 insurance firms to capture Africa is problematic because Nigeria alone could have as many as 17 insurance firms. Please expand the sample size
3. Why did you choose to limit your study between 2010 and 2021? Are there no data prior to 2010? Always remember that for asymptotic properties, more data points are always preferred.
4. It is not clear which panel estimation techniques are being used in the study. It is only in the results section we get know that RE and FE are being used. There must be some discussions on them (especially justification for their choice and appropriateness) before appearing at the results section.
5. There are no tests for possible endogeneity so why check robustness using IV-GMM?
6. There are no tests for cross-sectional dependence, serial correlation among others. All these diagnostics should be done in the revised version.
7. Merge sub-sections 3.2 and 3.3.
8. Substantial improvement is required in this chapter.
9. Even though there are several variables that can be used to represent financial performance, the study settled on ROA without proper discussions and justifications for the choice.

### **Results analysis and discussion**

1. Most of the findings are succinctly discussed and properly linked with the overarching objectives of the study. Furthermore, most of the findings are very interesting, practical and could potentially guide policy.
2. However, authors fail to assign adequate reasonings the plausibility or otherwise of the findings obtained. Hence, for each finding give some intuitive explanations why it makes economic sense or not.
3. Moreover, the econometric methodology from which the results emanate is not well justified. The entire results may thus be misleading.
4. Besides, there are no robustness check analysis on the main findings of the study.

### **Conclusions and policy implications**

1. The conclusions should be usefully re-drafted. It would be useful to reconsider the purpose of the research, summarize what was discovered and provide a discussion about the implications of the findings.
2. Conclusions can be bolstered by considering whether there are alternative conclusions that are consistent with the data or arguments that have been presented. Also, it is useful to consider both theoretical and practical implications of the results.
3. If the research has been properly contextualized at the beginning of the paper, the theoretical implications of the reported research can be adequately connected to the literature discussed there.
4. Conclusions can also be bolstered by including discussion of the evidence for and against the researcher's arguments and, perhaps, making a clear distinction between the data and their interpretation.
5. Kindly limit your policy implications on just a couple of your findings, preferably, the most important ones.
6. Again, given the results based on a model which lack theoretical foundation and valid econometric methods, these policy implications seem unreliable.

## References

1. Well written
2. Check authors' guide to format *journal names* in the references.