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Corporate Governance and Performance of Nepal's General Insurance Industry: The Roles of Board Oversight, Disclosure, and Regulatory Compliance

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Abstract

Background: Corporate governance plays a central role in the stability, accountability, and performance of financial service institutions, particularly in insurance markets that manage public funds and risk-transfer mechanisms.

Methods: This study examines the relationship between corporate governance practices and the performance of Nepal's general insurance industry, focusing on board oversight and accountability, disclosure and transparency, and regulatory compliance. A mixed-methods design was adopted, using survey data from 233 respondents across four selected general insurance companies, secondary financial data for fiscal years 2074/75 to 2078/79, and seven key informant interviews. Quantitative data were analyzed using descriptive statistics, correlation analysis, and multiple regression, while qualitative data were used to contextualize and interpret the quantitative findings.

Results: The results suggest that board oversight and regulatory compliance are positively associated with industry performance, whereas disclosure and transparency show an unexpected negative coefficient. These findings indicate that formal governance structures exist in Nepal's general insurance sector, but their performance contribution depends on substantive implementation rather than symbolic compliance.

Conclusion: The study contributes to the corporate governance literature by providing evidence from an emerging insurance market and by highlighting the need for stronger board independence, regulatory enforcement, transparency standardization, and methodological clarity in assessing governance-performance relationships.

Keywords: Corporate governance; Disclosure and transparency; Regulatory compliance; General insurance industry; Financial performance

Introduction

In the most general sense, corporate governance determines the processes that govern the achievement of organizational objectives. It includes the relationships between the shareholders of the corporation, the board of directors, the management team, and the other stakeholders (OECD, 2010). In the financial services industry, corporate governance plays a particularly important role because financial services organizations are entrusted with the responsibility of managing public funds. Furthermore, financial services organizations are pillars of economic stability. Insurance organizations receive premiums from their customers and invest these funds in productive areas of the economy. In the process, insurance organizations employ the workforce. Insurance organizations also provide financial cover against unforeseen occurrences such as natural disasters, accidents, and business interruptions (Jensen & Meckling, 1976).

In Nepal, the insurance industry has witnessed considerable change over the past few years in terms of regulatory and structural changes. The Insurance Act of 2079 BS (2022) and the directives set by the Nepal Insurance Authority (NIA) have laid down formal requirements concerning the composition of the board of directors, internal control processes, financial disclosure practices, risk management processes, and capital adequacy requirements of insurance companies (Beema Committee, 2023). These changes demonstrate a larger national commitment to improving governance standards within the financial sector as a whole. However, the general insurance industry in Nepal has been plagued by considerable governance challenges. The boards of directors within insurance companies have not met the required standards of independence and strategic leadership. Non-executive directors often remain passive members of the board rather than actively contributing members. Informational

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asymmetry has been a major challenge within the Nepalese insurance industry, as inconsistencies within financial reporting make it challenging to assess the performance of the company as a whole. Compliance with regulatory requirements has been more of a procedural exercise rather than a demonstration of actual governance culture.

This article investigates how corporate governance practices, particularly board oversight and accountability, disclosure and transparency, and regulatory compliance, are associated with the performance of Nepal's general insurance industry. Specifically, it examines whether these governance dimensions contribute equally to performance outcomes or whether some mechanisms operate mainly as formal or symbolic compliance structures.

Although Nepal has recently strengthened its insurance governance framework through the Insurance Act 2079 and Nepal Insurance Authority directives, limited empirical evidence exists on whether these governance mechanisms are substantively associated with the performance of general insurance companies. This gap is especially relevant in emerging markets, where formal compliance may not necessarily translate into an effective governance culture or improved organizational performance.

Theoretical Background and Literature Review

Several different theoretical frameworks have been used to describe the connection between corporate governance and performance. The first of these is agency theory. The main emphasis of this theory is on the conflicts of interest between owners and managers as a consequence of the separation of ownership from management (Jensen & Meckling, 1976; Huang et al., 2011). According to this theory, poor monitoring may lead to higher agency costs and managerial opportunism and thus adversely affect firm performance. For the general insurance sector of Nepal, agency theory is particularly pertinent since it is important to control the discretion of management through good board supervision and regulation compliance.

Another interpretation is provided by the stewardship theory, according to which the management can be altruistic and serve as stewards, driven by their desire to achieve organizational success, professional prestige, and longevity of the organization (Davis et al., 1997). This theory does not imply the necessity to control the management at any cost but suggests that governance systems should allow competent managers to operate effectively based on trust, dedication, and common goals (Davis et al., 1997; Hillman & Dalziel, 2003). For the Nepalese insurance industry, this means that boards should set strategy and monitor companies' performance without micromanagement.

In addition, the resource dependence theory posits that organizations are dependent on the external environment for resources, legitimacy, and strategy, and that the board plays an active role in ensuring that the organization gets these resources via its network (Pfeffer & Salancik, 1978; Fama & Jensen, 1983). The resource dependence theory brings into perspective how the board acts as a link between the organization and its access to capital, knowledge, and other institutions. More importantly, the theory re-emphasizes the need for distinguishing governance from management, as the effectiveness of the board largely lies in the distinction

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between the two. The problem becomes more pertinent when applied to general insurance in Nepal, where board involvement in management has caused a lack of discipline in corporations. The stakeholder theory extends the meaning of performance in the sense that firms are supposed to be measured on both shareholder returns and the value created for policyholders, regulators, employees, and the broader economy (Freeman, 1984). In the case of the insurance industry, this is especially true since the issues of trust, claims processing, policyholder protection, and financial soundness play an important role in determining performance. From a Nepalese perspective, this implies that the performance of board monitoring and disclosure cannot just be assessed in terms of profitability alone.

Very similar to this is the theory of institutions, which describes how organizations' structures and activities are formed based on the external pressure for legitimacy and conformity (DiMaggio & Powell, 1983). Practices of corporate governance are adopted in many cases due to regulation by authorities, professionalism, and industrial expectations that make the practice legitimate, and not necessarily because of its effectiveness. It is significant for the insurance industry in Nepal, where regulatory compliance and transparency may be equally the result of institutional pressure as well as strategic decision-making. In such circumstances, governance systems could be very similar among different companies; however, their effectiveness could differ dramatically.

Empirical studies also provide evidence regarding the impact of corporate governance on the performance of companies in varying situations. In their study, Anderloni and Tanda (2020) established very strong empirical relationships between board size, independent directors, and the performance of insurance firms, although the strength of such relationships varies from one country to another. The findings of Anderloni and Tanda imply that there is a relationship between board composition and firm performance, but the relationship depends on the environment in which companies operate.

In like manner, a study by Huang et al. (2011) revealed significant correlations between corporate governance and technical efficiency in the United States' property-liability insurance sector, where the qualities of the board and ownership structures were shown to be the key factors. This research backs the idea that corporate governance is not only about mere formality but also an influential tool for influencing efficiency and performance. Concerning the general insurance sector of Nepal, this idea becomes particularly important.

Within the literature on financial services in general, Daily et al. (2003) found that the effect of governance practices is influenced by various contextual factors instead of governance mechanisms per se. This finding for Nepal implies that different outcomes would result from governance reforms due to the existence of various contextual factors. It implies that board independence, disclosure practices, and enforcement mechanisms would work effectively only under credible regulation and organizational capacity.

The findings of more recent studies conducted in emerging economies also corroborate the above-mentioned contextual perspective. According to Nguyen et al. (2024), corporate governance positively influences the financial performance of firms in Vietnam, and the

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influence is more pronounced where board independence exists. The research further highlights that regulatory enforcement plays a moderating role in the governance-performance nexus, which is especially important in the context of Nepal, since it indicates the importance of compliance with governance measures.

Similarly, Al-ahdal et al. (2023) have revealed that transparency and disclosure have positive influences on the value of firms in India and Gulf countries, although the link between governance and financial performance does not always appear to be clear. This is especially important in the context of the insurance industry in Nepal since the quality of disclosure influences the levels of confidence of investors, policyholders, and the regulators.

As far as insurance research is concerned, David and Tobias (2013) opine that board composition and regulatory compliance help in increasing the profitability and effectiveness of organizations. This finding is very relevant in Nepal since insurance companies are operating in a very regulated industry, wherein the quality of supervision is vital for their financial sustainability. Furthermore, Osman and Samontaray (2022) have observed that efficient boards and disclosures increase firm performance.

Additional backing can be found in the work by Muhammad et al. (2020). They determined that the impact of corporate governance practices is generally positive and that their impact on profit increases when the audit committee is effective, directors are independent, and there is an effective ownership structure. This theory is very pertinent to the situation in Nepal since, in the insurance industry, the audit committee and independent directors can mitigate issues of misreporting, accountability, and internal controls.

Elamer et al. (2018) found that there is an interaction effect of corporate governance and risk-taking in insurance firms based on board characteristics. This finding is very useful to the Nepalese context as there are risks related to underwriting, investments, and operations in insurance companies, which need board supervision. If the board has appropriate characteristics, then risk-taking will be encouraged. Otherwise, there will be a high risk of non-compliance to risk-taking.

As can be seen from the above, corporate governance influences organizational performance through several avenues, including monitoring and agency control, resource acquisition and management, stakeholder interest protection, compliance, and risk management. Furthermore, the governance-performance link is context-specific. The effectiveness of the role played by board governance, disclosure, and regulation in affecting organizational performance in emerging economies like Nepal is contingent upon several factors, which include quality of enforcement, institutional strength, board independence, and ownership structure (Denis & McConnell, 2003; Nguyen et al., 2024; Al-ahdal et al., 2023). For these reasons, the general insurance sector in Nepal provides a suitable environment to study the issue at hand.

Research Gap and Hypotheses

Despite increasing literature on corporate governance in the Nepalese setting, there is not much research conducted on the topic in the country. Previous research carried out in the context of the insurance industry in Nepal reveals that the introduction of regulations and legislation has

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positively impacted the governance environment, but the implementation of the provisions in connection with board composition has been weak (Acharya, 2023; Maharjan, 2019; Tiwari et al., 2024). Such a trend is in line with general corporate governance research that shows that having governance provisions does not necessarily imply superior firm performance unless these provisions are implemented effectively (Bebchuk, Cohen, & Ferrell, 2009; Bhagat & Bolton, 2008).

According to Maharjan (2019), there is a correlation between good governance and financial performance in insurance companies in Nepal, with more well-governed firms performing better. Nevertheless, according to Maharjan (2019), smaller insurance companies are worse at adopting corporate governance practices in comparison to bigger firms. In turn, according to Tiwari et al. (2024), when it comes to the field of life insurance in Nepal, there is no strong connection between the use of corporate governance tools and performance, as most firms adhere to governance only formally but not substantially. Therefore, in the case of Nepal, corporate governance needs to be analyzed not only from structural but also from implementation perspectives (Adhikari, 2025).

The relevance of this gap arises from the fact that most literature on corporate governance that has been written in the past has mainly concentrated on either developed nations or the banking industry, whose regulatory environment and disclosure requirements vary greatly from those of Nepal. Research studies on comparative corporate governance have indicated that corporate governance is affected by institutional setting, law, and enforcement capacities of an organization, and thus results from one organization or one sector cannot necessarily be taken for granted in another institution or sector (Aguilera & Jackson, 2010).

It is evident from the above explanation that the current study aims to address a very obvious gap in the literature by conducting an analysis on board oversight, disclosure, and regulatory compliance in the general insurance industry in Nepal, whose impact is yet unknown from a real-world perspective. It is worth mentioning that corporate governance literature supports the argument that there is a dependency of context on the relationship between governance and performance, implying the necessity of empirical testing in a particular sector (Bhagat & Bolton, 2008). Besides, the need for more comprehensive research into corporate governance in terms other than financial results arises, including quality of services, transparency, and organizational performance in general (Adhikari, 2025).

Considering the above-mentioned deficiency, it is expected that better board oversight, improved disclosure policies, and strict compliance with the regulations will have a positive impact on the performance of general insurance firms in Nepal. More precisely, it will be tested whether the governance system, which exists formally, can bring benefits in terms of performance through proper implementation and transparency.

Based on theoretical foundations and empirical evidence, this study conceptualizes insurance industry performance as a function of corporate governance. The mathematical representation is: GII=f(CG), where GII stands for the performance of the General Insurance Industry, and CG stands for Corporate Governance. The concept of corporate governance can be divided into

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three parts: First, Board Oversight and Accountability, in which the effectiveness of boards in overseeing the management of an organization and holding people accountable is considered. Second, Disclosure and Transparency Practices, in which the effectiveness of disclosure is considered. Third, Regulatory Compliance, in which the effectiveness of an organization in adhering to laws and best practices in governance is considered.

Hypotheses

Based on this framework, the following hypotheses are tested:

- H_1: There is a statistically significant relationship between Board Oversight and Accountability and General Insurance Industry performance ($\rho \neq 0$).
- H_2: There is a statistically significant relationship between Disclosure and Transparency Practices and General Insurance Industry performance ($\rho \neq 0$).
- H_3: There is a statistically significant relationship between Regulatory Compliance and General Insurance Industry performance ($\rho \neq 0$).
- H_4: There is a statistically significant relationship between overall Corporate Governance and General Insurance Industry performance ($\rho \neq 0$).

Methodology

This study adopts a pragmatic philosophical approach and a mixed-method sequential design. Quantitative evidence was obtained from survey responses and secondary financial indicators, while qualitative evidence from key informant interviews was used to contextualize the statistical findings. Because the study combines individual-level perceptions with company-level performance information, the unit of analysis must be explicitly defined and consistently applied throughout the empirical strategy.

Unit of analysis and analytical alignment

The study should clarify whether the main quantitative analysis is conducted at the respondent level, company level, or industry level. If governance variables are measured through individual perceptions and performance indicators are measured at the company level, the data structure is hierarchical. In that case, governance perceptions should either be aggregated at the company level or analyzed using an appropriate multilevel or company-level analytical strategy.

The target population comprises general insurance companies operating in Nepal. Four companies were selected through a non-probability quota sampling procedure with disproportionate selection: Sagarmatha Insurance Co. Limited, NECO Insurance Co. Limited, Shikhar Insurance Co. Limited, and Rastriya Beema Co. Limited. These companies include both private-sector and government-owned insurers. Because the company selection was non-probabilistic, claims of representativeness for the entire Nepalese general insurance industry should be made cautiously.

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Primary data were collected through structured questionnaires distributed to employees of the four selected insurance companies. Of 250 questionnaires distributed, 233 valid responses were obtained. Respondents represented different managerial levels, including CEOs, senior managers, chief managers, managers, and departmental heads. In addition, seven key informant interviews were conducted with senior executives and industry experts. Secondary data were collected from the annual reports of the selected companies for fiscal years 2074/75 to 2078/79 (2017-2022), including claim volume, claim payment, net worth, total assets, net profit, premium collection, and reinsurance business.

Quantitative data were analyzed using descriptive statistics (mean, standard deviation, and coefficient of variation) and inferential statistics (correlation analysis and multiple regression analysis). Before interpreting the regression results, the authors should report diagnostic tests for multicollinearity, residual distribution, heteroscedasticity, and influential observations. If governance constructs are measured using multiple questionnaire items, reliability and validity evidence should be reported before constructing composite scores.

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Where:

Y = General insurance industry performance

X_1 = Board oversight and accountability

X_2 = Disclosure and transparency practices

X_3 = Regulatory compliance; α = constant term; β_1, β_2, and β_3 = regression coefficients

ε = Error term

Qualitative data from interviews were analyzed thematically to corroborate, explain, and contextualize the quantitative findings. The authors should describe the interview protocol, selection criteria for key informants, coding procedure, thematic categories, and triangulation strategy. Reliability was assessed using Cronbach's alpha; however, the exact alpha values for each construct should be reported in a separate table. For the independent variables, the authors should provide the questionnaire items used to measure board oversight and accountability, disclosure and transparency, and regulatory compliance.

Evidence of construct validity should be included, such as exploratory factor analysis, confirmatory factor analysis, or at least item-total correlations and internal consistency coefficients. The dependent variable, General Insurance Industry Performance, should be operationally defined. The manuscript should explain whether performance was measured through respondents' perceptions, financial indicators, or a composite index. If a composite financial-performance index were used, the authors should specify how claim volume, claim payment, net worth, total assets, net profit, premium collection, and reinsurance business were standardized, weighted, and aggregated.

Measurement of variables

Results and Analysis

Financial Performance Trends

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Analysis of key financial indicators from FY 2074/75 to 2078/79 reveals generally positive trends across all four insurers, with some fluctuations.

Table 1: *Performance Trend Analysis (FY 2074/75 – 2078/79)*

Insurance Company	Average Trend (%)
Shikhar Insurance	34
NECO Insurance	8
Rastriya Beema	84
Sagarmatha Insurance	36
Overall Average	36

NECO Insurance showed a slight decrease of 1% in FY 2076/77 but recovered subsequently. The positive trends suggest that existing corporate governance frameworks are producing desirable outcomes, though variability in specific indicators (claims management, dividend payments) indicates areas requiring attention.

Board Oversight and Accountability

Descriptive analysis reveals generally positive perceptions of board effectiveness (see Table 2):

Table 2: *Board Oversight and Accountability*

Indicator	% Agree/Strongly Agree	Mean (SD)
Board focuses on operations	72.1	3.76 (0.91)
Board guides strategy implementation	72.5	3.79 (1.28)
Board improves organizational performance	78.1	3.86 (1.07)
Board conducts business with integrity	63.5	3.48 (1.08)
Board independent from chairman	78.1	3.87 (1.07)
Committees enhance functionality	82.4	4.16 (1.10)
Regular internal audit reports	81.1	4.09 (1.09)
Open CEO-board communication	79.9	4.08 (1.10)

Notably, 72.1% of respondents indicated that boards are actively involved in daily operations, raising the possibility of boundary issues in the board's governance and management roles. Although 78.1% of respondents recognized the board's strategic importance, only 63.5% perceived boards as conducting business with integrity, implying a perception gap in board ethics. Regression analysis showed that Board Oversight and Accountability was a significant predictor of industry performance ($\beta = 0.617$, $p < 0.001$), thus supporting H_1. The correlation coefficient of 0.979 between board oversight and industry performance is a very strong positive relationship.

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Disclosure and Transparency Practices

Table 3: *Disclosure and Transparency Practices*

Indicator	% Agree/Strongly Agree	Mean (SD)
NIA guides insurance sector effectively	68.6	3.90 (1.24)
Regulation halts customer exploitation	70.0	3.86 (1.21)
NIA upholds female directors' rights	63.1	3.63 (1.15)
Board joining dates disclosed	63.9	3.67 (1.17)
Directors disclose current positions	63.9	3.68 (1.23)
Governance charter in annual report	65.7	3.67 (1.17)

Although 73% expressed satisfaction with levels of transparency, indicating overall satisfaction with levels of transparency and disclosure practices, regression analysis revealed an unexpected negative coefficient for disclosure and transparency ($\beta = -0.179$, $p = 0.047$). This result contradicts H_2 and suggests that transparency practices may not only fail to provide performance benefits in proportion to compliance costs but also be implemented in a way that generates inefficiencies.

The negative coefficient also requires careful consideration. It may be argued that transparency practices, although well-intentioned, have generated administrative overheads that detract from more useful business practices. It may also be argued that transparency practices have been adopted as a symbol rather than a substantive practice.

Regulatory Compliance

Table 4: *Regulatory Compliance*

Indicator	% Agree/Strongly Agree	Mean (SD)
Regulatory board's respectful role	79.8	4.06 (0.73)
Corporate governance in Nepal improved	76.9	3.96 (0.78)
Insurance Act attracts investors	72.5	3.85 (1.12)
Essential departments established	72.1	3.83 (1.12)
Policies safeguard minority shareholders	70.9	3.65 (1.26)
Board ensures claim settlement	67.4	3.72 (1.20)
Compliance with authority regulations	64.8	3.59 (1.15)

As a matter of fact, regression analysis revealed a strong positive coefficient ($\beta = 1.023$) and $p < 0.001$. This affirms H_3. The correlation coefficient of 0.990 between regulatory compliance and performance is extremely high. This reveals that the NIA guidelines have a fundamental influence on governance. This finding also reveals the significance of the Nepal Insurance Authority in laying the foundation for an environment that enables good governance. The relatively higher mean value of 4.06 for "Regulatory Board's Respectful Role" reveals that the NIA properly exercises its powers.

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Correlation Analysis

Table 5: *Correlation Matrix*

Variable	Board Oversight	Disclosure & Transparency	Regulatory Compliance	Industry Performance
Board Oversight	1			
Disclosure & Transparency	-	1		
Regulatory Compliance	-	-	1	
Industry Performance	0.979**	-	0.990**	1

Correlation is significant at the 0.001 level (2-tailed)

Disclosure and transparency practices were not found to have a significant positive correlation with industry performance, which is consistent with the negative regression coefficient later identified in the regression analysis.

Table 6: *Overall Corporate Governance Impact*

Variable	Unstandardized β	Standardized β	t	Sig.
(Constant)	0.895		0.891	0.374
Board Oversight	0.617	0.351	9.689	0.000
Transparency	-0.179	-0.117	-1.910	0.047
Compliance	1.023	0.765	13.602	0.000

The composite regression model explained 98.5% of the variance in industry performance (R^2 = 0.985, F = 5115.9, $p < 0.001$). The bivariate regression model testing overall corporate governance impact showed: $\gamma=1.593+0.507$ (CG). This indicates that for every one-unit improvement in corporate governance, general insurance industry performance increases by 0.507 units ($p < 0.001$), supporting H_4. Robustness checks should be added before final interpretation of the regression findings. These should include variance inflation factors (VIF), tolerance statistics, residual diagnostics, heteroscedasticity assessment, and sensitivity analysis, excluding or aggregating observations by company. If annual financial data are available by company, a company-year panel model may provide a stronger analytical strategy than a purely cross-sectional regression.

Hypothesis Testing Results

Table 6: *Hypothesis Testing Summary*

Hypothesis	Statement	β/r	p-value	Result
H_1	Board Oversight & Accountability - Industry Performance	β = 0.617, r = 0.979	<0.001	Supported
H_2	Disclosure & Transparency - Industry Performance	β = -0.179	0.047	Rejected

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H_3	Regulatory Compliance - Industry Performance	β = 1.023, r = 0.990	<0.001	Supported
H_4	Overall Corporate Governance - Industry Performance	β = 0.507	<0.001	Supported

Out of the four hypotheses, three were supported by the findings. H_1 and H_3 showed very strong positive correlations with industry performance, with regulatory compliance emerging as the strongest predictor ($\beta = 1.023$). H_4 provided support for the proposition that corporate governance, as a whole, has a statistically significant impact on industry performance ($\beta = 0.507$, $R^2 = 0.985$), accounting for 98.5% of the variance within the performance outcome. H_2, on the other hand, failed to support the hypothesis, with disclosure and transparency practices returning an unexpected negative coefficient ($\beta = -0.179$, $p = 0.047$). Although the findings are statistically significant, the reverse nature of the findings from the hypothesis proposed requires investigation and discussion within the Discussion section.

Table 7: *Challenges and Problem Areas*

Challenge Area	% Affected
Board operational interference	72.1
Passive non-executive directors	73.4
Recruitment difficulties due to policies	70.4
Qualified applicants lack enthusiasm	72.1
Compensation fails to motivate	77.2
Regulatory enforcement inconsistency	72.1
Conflict of interest concerns	41.2

The high figure of firms with a high percentage of passive non-executive directors (73.4%) is also of concern because these directors are theoretically very important in terms of providing an objective perspective. The results also indicate that recruitment difficulties (70.4%) and the absence of candidate enthusiasm (72.1%) could highlight organizational culture problems that may act as a barrier to entering or continuing in the insurance industry. The results that 77.2% believe that attractive remuneration does not motivate also raise concerns that remuneration packages may be out of line with the values of employees.

Qualitative Insight

The qualitative findings are useful, but the methodological procedure should be made more transparent. The authors should describe how interviewees were selected, whether an interview guide was used, how responses were coded, and how qualitative evidence was triangulated with the survey and financial results.

Key informant interviews also verified the results of the quantitative study and provided further insights. Regarding On-Board Composition: Experts also stressed the importance of board composition in terms of achieving true independence. A senior executive stated: "While we do have non-executive directors in place, the level of true independence is suspect due to familial or business ties with our major shareholders. "Regarding Regulatory Enforcement: A key

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informant from the regulatory community stated: "The NIA does have very good guidelines in place, but enforcement is spotty at best. We need more active supervision rather than just checking boxes in terms of compliance." Regarding Shareholder Influence: Experts also raised concerns about the role of major shareholders in board composition. An expert stated: "The election of directors is controlled by our major shareholders, so there is no true independence from the start." Regarding Remuneration: Experts also stressed the importance of performance-based remuneration. An industry veteran stated, "We can't just rely on fixed regulatory packages that do not encourage directors to get involved in strategic activities."

Company Specific Findings

NECO Insurance Co. Limited recorded the best alignment in terms of governance and performance, as it recorded steady growth in net worth (CV 22.67%), stable profitability (mean NPR 431 million), and prudent risk management. The company's claim management recorded a moderate variation (CV 22.77%) in comparison to dramatic variations in other insurance companies.

Sagarmatha Insurance Co. Limited recorded strong profitability (mean NPR 366 million, CV 13.66%) along with stable asset growth; however, the company recorded a high variation in claim payments (CV 139.65%), which may reflect a weak claim management system. Rastriya Beema Co. Limited recorded strong financial performance in terms of stable asset growth (CV 21.37%); however, the company recorded extreme variation in claim frequency (CV 121.48%) along with no dividend payment.

Shikhar Insurance Co. Limited recorded strong financial performance in terms of controlled claim payments (CV 13.14%) along with steady premium growth; however, the company recorded an inconsistent dividend policy (CV 119.47%).

Discussions

Board Oversight and Industry Performance

This confirms the positive relationship between board oversight and accountability and general insurance industry performance ($\beta = 0.617$, $r = 0.979$, $p < 0.001$), hence validating the first hypothesis. However, the fact that 72.1% of the respondents indicate the involvement of the board in day-to-day operations also reveals a general propensity for the board to overstep its monitoring role and encroach on the managerial space. This boundary problem, if not addressed, threatens to undermine the very effectiveness of the board's role in governance. In addition to this, the fact that only 63.5% of the respondents perceived the boards as operating with integrity also reveals a problem that needs to be addressed. Third, the highly correlated relationship between regulatory compliance and performance ($\beta = 1.023$) confirms the institutional theory perspective on the role of external pressures in shaping governance outcomes. This finding underlines the significance of regulatory frameworks in shaping governance outcomes in organizations in Nepal.

Disclosure, Transparency, and Performance

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Contrary to expectations, disclosure and transparency practices returned a negative coefficient (β = -0.179, p = 0.047), leading to the rejection of H_2. This contradicts the conventional assumption that transparency positively affects performance and is consistent with Tiwari et al.'s (2024) observation that the relationship between governance elements and performance remains weak in Nepal. Two explanations are possible. First, transparency practices may have generated administrative overheads that detract from more productive business activities. Second, disclosure requirements may have been adopted symbolically rather than substantively, meaning compliance costs are being incurred without the corresponding performance benefits. This finding highlights the difference between structural governance compliance and genuine governance culture.

Regulatory Compliance as Performance Driver

Regulatory compliance was identified as the strongest predictor of industry performance with a high statistical significance of $\beta = 1.023$, $r = 0.990$, and $p < 0.001$ to support H_3. This confirms the perspective of the institutional theory concerning the impact of external forces on governance outcomes and underlines the importance of the Nepal Insurance Authority's role in providing the framework that allows good governance to thrive. The relatively high mean score of 4.06 for "Regulatory Board's Respectful Role" would appear to confirm that the NIA is viewed as having a proper respect for its authority. However, the views of the key informants highlighted that there was a problem with the tick-box approach to regulatory compliance.

Integrated Governance Effects

This means that the regression model explained 98.5% of the variance in industry performance since $R^2 = 0.985$, $F = 5115.9$, and $p < 0.001$. Moreover, the overall coefficient for corporate governance ($\beta = 0.507$, $p < 0.001$) confirms hypothesis H_4. This means that for every unit increase in corporate governance, the performance of the general insurance industry increases by 0.507 units. This confirms the hypothesis that collectively, corporate governance is a key determinant of performance. Moreover, the case of NECO Insurance Company represents the integrated effect of the above hypothesis most vividly since a high level of alignment between the two aspects was noted. Moreover, the varying performance of the four companies also confirms that it is not the implementation of the quality of corporate governance that ultimately determines performance.

Limitations

This study has several limitations. First, it is based on four selected general insurance companies and a non-probability quota sampling design; therefore, the findings should not be generalized to the entire Nepalese insurance market or to other emerging economies without caution. Second, the use of survey responses may introduce perception bias, social desirability bias, and common-method variance. Third, the combination of individual-level governance perceptions with company-level financial indicators requires careful treatment of the unit of analysis. Fourth, the five-year financial period may not fully capture long-term trends or lagged effects of regulatory reforms. Fifth, macroeconomic factors such as inflation, interest rates, political instability, and market shocks were not included in the empirical model, although they may affect insurance performance independently of corporate governance indicators.

Conclusion

This study provides evidence that corporate governance practices are associated with the performance of Nepal's general insurance industry. Board oversight and accountability, as well as regulatory compliance, appear to be positively related to performance outcomes, while disclosure and transparency show an unexpected negative coefficient that requires further investigation. The findings suggest that Nepal's general insurance sector has established formal governance structures, but effective performance improvement depends on substantive implementation rather than symbolic compliance. Strengthening board independence, director engagement, transparency standardization, regulatory enforcement, and analytical monitoring may enhance governance quality and support the long-term stability of the insurance sector. Future studies should use broader samples, clearer variable operationalization, and company-level or panel-data models to confirm the robustness of these relationships.

Practical implications should be stated more explicitly. The findings may help insurance executives improve board functioning, regulators refine enforcement mechanisms, and investors assess governance quality in Nepal's general insurance sector. However, these implications should be presented cautiously because of the limited company sample and the need for additional model diagnostics.

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