

Board characteristics and firm performance: Evidence from the Life Insurance Companies in Sri Lanka

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ABSTRACT

Purpose: The purpose of this study is to test the hypothesis about the impact of board characteristics on the life insurance firms' performance in Sri Lanka. The data used for the study is derived from eight consecutive years from 2014-2021 annual reports of 13 life insurance firms operating in Sri Lanka.

Design/Methodology/Approach: This study employed publicly available data from financial databases and annual reports of 13 sample life insurance companies in Sri Lanka which are registered with the Insurance Regulatory Commission of Sri Lanka (IRCSL), for the past eight years from 2014-2021. The annual reports published by the respective companies and the statistical reviews of the Insurance Regulatory Commission of Sri Lanka are used to collect data about the life insurance companies. The Return on Asset (ROA) and Return on Equity (ROE), this study measures the performance of life insurance companies in Sri Lanka. Multivariate regression analysis on panel data is used to find the impact of the board characteristics, such as CEO duality, the Board size, Board independence, Audit committee size Audit committee independence and the performance of the life insurance companies.

Findings: The results show audit committee size and audit committee independence have positively impacted the life insurance firms' performance in Sri Lanka while CEO duality, board size and board independence show a negative impact. The outcome emphasizes the importance of good board characteristics in Sri Lankan life insurance companies needed to perform well in the insurance industry.

Originality: This finding guided life insurance firms how to manage their board composition to lead to better performances of the organization.

Keywords: *Board Characteristics, Insurance, Financial Performance, Sri Lanka*