
Board Characteristics and Shareholder's Value Creation of Insurance Companies Listed in the Nairobi Securities Exchange, Kenya

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Abstract

The corporate board ensures desirable shareholder value creation because of its immense role in strategic oversight, performance evaluations and governance. The board is at the center, as evidenced by the accelerated growth of private insurance companies worldwide. However, insurance companies in Kenya have experienced slow growth over the last decade. To get a clear understanding of the effects of the board on a corporation's financial performance, it is vital to assess the association between the characteristics of the board characteristics and its creation of shareholder value. The study examined the impact of board characteristics on the shareholder's value creation for Insurance companies listed on the Nairobi Securities Exchange (NSE). The study aimed to establish the effect of board characteristics (size, diversity, independence, and expertise) on shareholder value creation in listed insurance companies. The shareholder, resource dependency, stewardship, and agency theories underpin the study. The study used a descriptive research design to analyze five insurance corporations listed on Nairobi Securities Exchange (NSE) for ten years from December 2010 to 2020. The study utilized data published in audited annual reviews and reports for the five selected insurance corporations listed on the Nairobi Securities Exchange. A correlational analysis was employed to test the degree and strength of the relationship between the variables under study, and a regression model was developed. The study established that board expertise had the most significant impact on shareholder value creation, followed by board size, board diversity and board independence. The study recommended the prioritization of the board expertise to boost shareholder value creation, the optimization of board sizes depending on company needs and the inclusion of more women on boards.

Keywords: Board, Board Characteristics, Shareholder Value Creation, Return on Investment (ROI), Nairobi Securities Exchange (NSE).

1. Introduction

Globally, businesses aim to achieve progress and growth to satisfy investors. Board characteristics are among the most investigated areas within corporate governance because it directly impacts the mission and vision of the firm. In the previous decade, there has been

growing awareness of the impacts of the board characteristics in the East African region, leading corporations to mandatory compliance with several governance principles (Priya & Nimalathasan, 2013). In Kenya, the impacts of board characteristics are reflected by the many national provisions that streamline the board characteristics of insurance companies listed on the NSE (Datta et al., 2020). The current study is focused on the impacts of board characteristics on shareholder value creation for insurance companies listed in the NSE.

Board characteristics are an essential element of corporate governance. Wachira (2014) established a clear correlation between board dynamics and a company's performance. The success or failure of corporations may be attributed to the measures enforced by the board because of the leading role in mapping out the vision and monitoring the corporation's progress (Ouma & Webi, 2017). The OECD, Organization for Economic Co-operation and Development (2014) defines board characteristics guided by the procedures and strategies under which a corporation is guided and regulated. The measures of board characteristics are defined by the set principles of corporate governance, which include ensuring there is a basis for an effective board characteristics framework, setting standards for the stock markets and its other intermediaries, protecting the institutional stockholders, defining the role of stakeholders in the industry, the shareholders' rights and fair treatment (Bezawada & Adaelli, 2020)

The board characteristics discussed in this research include its size, independence, diversity, and board expertise. Board size involves the cumulative figure of directors constituting a company's board. Board diversity means having a board composed of people who differ in race, age, gender, ethnicity, and professional and educational backgrounds to reflect the structure of the society (Ahmad & Bin, 2019). Board expertise is defined as the skills of individual members in a board attained from training or long experience (Dass et al., 2014).

The term shareholder's value refers to the economic well-worth proprietors of a corporate or a commercial enterprise obtain from owning stock in the company. Shareholder value is the fiscal value delivered to all individual investors in a corporation (Bhagat & Bolton, 2008). A corporation increases shareholder value when it generates a return on invested capital (ROIC) more than the capital's weighted common value (Din et al., 2017). Generally, value is realized for stock owners whenever the commercial enterprise increases its earnings. According to Fernandez (2014) a business enterprise, when the bondholder return exceeds the needed return on the company's equity, value is created for the shareholders. The shareholder value creation (the dependent variable for the study) was assessed by return on investment.

1.1 Statement of the Problem

The failure of companies listed in the NSE, Kenya, like CMC Motors, Uchumi Supermarket, Mumias Sugar Company, and most recently, Kenya Airways, Tuskys, and Chase Bank, have attracted increased attention to the responsibilities of the board of management (directors) in Kenya (Wanyama & Olweny, 2013). Some commercial and service companies listed at the NSE Kenya have been delisted due to poor quality services, inefficient marketing, and the inability to keep up with technological advancement (Mweta & Mungai, 2018). Wanjiru (2013) and Lekaram (2014) researched the association between the board's governance and the financial success of most companies on the NSE list in Kenya. These studies reported a significant linear

impact on board governance and the selected companies. However, there are gaps between these and past research studies that investigate precisely the effects on company governance, including board expertise, board size, and board composition on shareholder value creation for firms listed in the NSE. While various studies have been done on the impact of various variables in corporate management, such as voting rights, board expertise, and board size, on a company's performance, the results are inconsistent and incomprehensive (Kiragu, 2014; Kitaka et al., 2019)

In Africa, Ujunwa (2012) reported a positive correlation between board characteristics and shareholder value creation in Nigeria. Ntim & Osei (2011) revealed that board expertise, size, and diversity of gender are negatively correlated to shareholder value creation in South Africa. Thurairaja (2014) established a correlation between board governance and shareholder value creation in Kenya. In addition to the inconsistencies in the African context, no study in Kenya focused on shareholder value creation for insurance companies listed in the NSE. Therefore, the study aimed to evaluate the effect of board characteristics on shareholder value creation in insurance companies listed on the NSE, Kenya. More specifically, the study examined the effect of board size, board expertise, board diversity and board independence on return on investment.

1.2 Objectives of the Study

The study investigated the effects of shareholder value creation on shareholder value creation in insurance companies listed in the NSE, Kenya. The study had four specific objectives, which were:

- i. To assess the effects of the board's size on shareholder value creation in the Nairobi Securities Exchange (NSE).
- ii. To determine the effect of board expertise on shareholder value creation in the NSE.
- iii. To examine the effects of board independence on shareholder value creation in the NSE.
- iv. To analyze the effects of board diversity on shareholder value creation in the NSE.

2.0 Literature Review

2.1 Theoretical Literature Review

The theoretical literature review for the study was based on the agency theory, stewardship theory, stakeholder theory, resource dependency theory and shareholder value theory. The agency theory proposed by Jensen and Meckling (1976) postulates a principal-agent relationship between shareholders and managers in an enterprise. The theory is based on the management and administrators of a corporation, who are agents of the company's shareholders who are always absent (Namazi, 2013). The agency theory highlights the inherent conflict of interest between managers and shareholders because of the misalignment in their interests. It suggests adjustments in governance mechanisms to merge the interests of managers and shareholders. The theory was thus significant to this research study since it sheds light on the relationship between the various groups, which are extremely important in the organization's success (Iraya et al., 2015). Insurance companies are led by a board of directors, board committee, C-suites, and board members who are part of the final decision-making that would influence the value created for the shareholders (Yegon et al., 2014).

The second theory, the stewardship theory by Donaldson and Davis (1989), argues that humans are naturally inspired to work for others or companies to fulfill their obligations and responsibilities. In corporations, stewards include business enterprise executives and the entire management working for the owners/shareholders and other staff members who facilitate company operations for earnings and other forms of compensation. The stewardship concept is centered on individualism; however, as a substitute for the position of pinnacle administration, stewards may also merge their objectives with the firms'. Stewardship theory states that stewards are contented when the organization achieves its success (Kitaka et al., 2019). The theory assumes that long-term contractual relationships are developed through trust, involvement, and a unity of purpose.

The focal point of the stewardship concept is on facilitation and empowerment structures instead of monitoring and control ones (Aduda, Chogii & Magutu, 2013). The stewardship theory is limited because stewards (managers) can sometimes make decisions to suit personal interests which conflict with those of the shareholders. This theory is critical to the research because it reflects the role of the management and particularly the C-suite, directors, and managers, as agents of value-creating in an insurance company. Poor decision-making results in poor performance and low revenue, which drives the shareholders' value low and vice versa.

The third theory, the stakeholder theory by Freeman, postulates that an organization should factor in the interest of all stakeholders instead of limiting their focus to shareholders' interests. Freeman, Harrison, Wicks, Parma & De Colle (2010), emphasize that the satisfaction of all stakeholders denotes the company's true success, not only those who might make good returns from its shares. The stakeholder theory, therefore, highlights the need to align the interests of all stakeholders to improve firm performance (Huse, 2007). Since the board is tasked with balancing the interest of all stakeholders, the theory is relevant to the current study. By underpinning the study with the stakeholder theory, the study can explore the effects of board characteristics on shareholder value creation from a broader and long-term perspective.

The fourth theory, the resource dependency theory (RDT) by Pfeffer and Salancik (1978), postulates that a business enterprise depends on external resources; thus, controlling these resources should be the primary goal of the enterprise (Davis & Cobb, 2010). The board of directors plays a pivotal role as it connects the company to the external setting and facilitates the collection of resources (Biermann & Harsch, 2017). In this scenario, the resources are data, expertise, and access to policymakers, suppliers, buyers, and social groups (Bryant & Davis, 2012). It focuses on ensuring that independent groups have chosen representatives for the company to access resources vital to its achievement. Because of the board's role in resource acquisition and control, certain board characteristics such as diversity, expertise, inter-organizational relationships, and influential board members may influence shareholder value creation.

The last theory, the shareholder or stockholder theory by Friedman (1970) theorizes that the primary role of an enterprise is to maximize shareholder's value. He argued that an organization has no social accountability to the public or society as its sole accountability is to its shareholders (Husted & de Jesus Salazar, 2006). The shareholder theory assumes that shareholders exclusively measure corporate assets in two ways; the share price and the dividends (Harrison et al., 2015).

A firm's shareholder value creation depends entirely on the ability of the directors of the board and senior management to develop strategic decisions, make sensible investments, and provide a profitable income on the capital invested, determining a company's shareholder value (Alnaser et al., 2014). If this value is created over a considerable time, the firm can pay huge dividends to its stakeholders due to escalated share prices.

2.2 Empirical Review

2.2.1 Board Size and Shareholder Value Creation

Maraka (2019) researched the effect of corporate governance structures on the shareholder value of NSE-listed companies. The research established a positive correlation between the structure of corporate governance and the shareholder value of the listed companies. It recommended board size alignments with the particular requirement of a company as well as the underlying factors that affect businesses. Mulili and Wong (2011) also recommended that the board of directors be present in most board meetings to enhance strategic objectives' planning, implementation, and monitoring. Deepak Singh (2012) revealed that a smaller board, with the CEO assuming the role of a chairman with more impartial directors, is perfect for a company because it increases accountability as far as investors are concerned. Chemweno & Cheruiyot (2016) postulate that as the board size increases, free riding increases, thus reducing the board's efficiency. Large board sizes are also susceptible to conflicts and the development of opposing factions; the board size should be small enough to enable deep and comprehensive discussions (Ongore & Owoko, 2011). However, some scholars support larger board sizes to allow sharing of ideas and advice, particularly in diversified firms. Chenuos, Mohamed, & Bitok (2014) postulate that larger boards improve the board's performance by improving collective decision-making by reducing CEO dominance. There are varied results on the impacts of the size of the board on shareholder value creation. Therefore, more research is required to optimize the board size for a more precise direction.

2.2.2 Board Diversity and Shareholder Value Creation

Several studies have shown positive correlations between the diversity of the board alongside shareholder value. According to Maraka (2019), board diversity improves management's ability to project the market's needs accurately. It facilitates creativity and innovation by the board, which gives the company a competitive advantage. Nguyen & Faf (2007) found that gender diversity improves shareholder value; they observed that companies with women directors are linked to a higher market value. They concluded that female directors play a crucial role in improving board efficiency. However, preliminary scientific work was done to determine the effects of board diversity. In contrast, a study by Hassan & Marimuthu (2016) didn't find any connection between diversities in gender and the performance of firms. The lack of convergence in the findings necessitates further research to study the effect of board diversity on shareholder value creation.

2.2.3 Board Independence and Shareholder Value Creation

The board's independence in a corporation denotes the ratio of board members, in terms of numbers, who are non-executives and executives. Previous studies have discussed both the

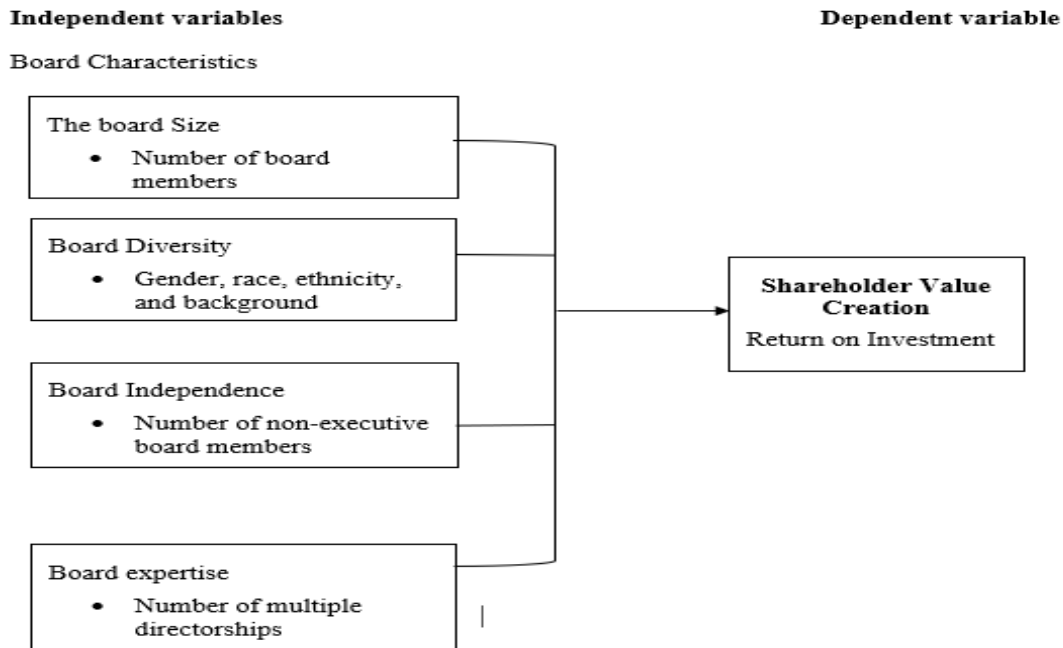
advantages and disadvantages of board independence (Lai, 2020). The majority recommend having an independent board to optimize shareholder value creation. Chenuos et al. (2014) stated that the impartiality of any company board increases the ability to make impartial conclusions. Although board independence is vital, insufficient facts link it to shareholder value creation (Wanjohi, 2017). Giráldez & Hurtado, 2014 found that board independence correlated negatively to shareholder value creation. It increased the cost of running the company, particularly for small companies. However, studies on the effects of firm board independence on the shareholder's value creation are not exhaustive.

2.2.4 Board Expertise and Shareholder Value Creation

The concept of board expertise is among the most discussed corporate governance mechanisms (Mallin, 2016). It has caused concern about the need for finance experts to ensure accountability. Several national and international code policies ensure that boards are composed of members with sufficient experience and abilities to keep up with business dynamics. Chelimo and Kiprop, 2017 argued that a more specialized board has better external linkage and the ability to lobby for resources, translating to increased shareholder value creation. Davis (2012) claims that an experienced board can avoid problems when running the business, leading to better performance. Mwangi (2012) emphasized the need for board members to be knowledgeable in accounting fundamentals to strengthen the board's ability to perform oversight. Schnatterly et al (2021) assessed the effects of board expertise in relation to board performance of the firm in Malaysian firms, which pointed to the significance of a well-networked board, and linked it with higher firm performance. In contrast, Francis, Hasan & Wu (2012) reported that board expertise does not significantly affect shareholder value creation. Due to the inconsistencies in the significance of board expertise, this research study examined the effects of board expertise on shareholder value creation.

2.3 Conceptual Framework

This framework illustrates both dependent and independent variables for the study. The dependent variable (shareholder value) entails the determinants of shareholder value creation.



3.0 Research Methodology

3.1 Introduction

This section describes the research methodologies and materials used to determine the study's objectives. It specifies the research strategy, target population, data gathering techniques, analysis, and statistics presentation techniques used in the research study.

3.2 Research Design

Bharath, J. (2021) defines research design as a step-by-step plan employed in a study to answer questions accurately, economically, and soundly. It is simply the procedure of collection and analysis of data. Research designs enable the researcher to initiate an operation plan.

This research used a descriptive research design defined as the process of data collection that facilitates successful testing of the research hypothesis and answers the research questions (Bloomfield & Fisher, 2019). A descriptive study is a method that reports the characteristics of the population or the phenomenon under study (Nassaji, 2015). The design (descriptive research) was used given that this research was intended for reporting the current conditions at the NSE, Kenya; data was not altered. The correlation analysis examined the degree of relation between independent and dependent variables.

3.3 Target Population

The population of this study comprised a collective group of objects, individuals, or events with common observable characteristics (Bloomfield & Fisher, 2019). The term "target population"

denotes a specific group of items and/or people that research was conducted. It describes the individuals who can obtain the people who participated in the investigation. The target population comprises all the NSE-listed insurance companies. The sample for this research was five insurance companies: Jubilee Holdings Limited, Britam Insurance, CIC Insurance, Liberty Kenya and Kenya Reinsurance Limited (the best-ranking insurance companies in 2020 according to Cytonn Investments) listed in the NSE, Kenya. Data were collected for these companies for the ten years between 2010 and 2020. This study used document analysis since listed companies in the NSE must submit financial statements once a year.

3.4 Data Collection Instruments

Our study used the existing secondary sources of data to generate information that was analyzed. Significant volumes of data were collected from the annual reports of most insurance firms and information on the listed insurance companies' websites because the information is accessible from my computer. Data on shareholder value creation was obtained by analyzing the yearly financial reports like balance sheets, income, and cash flow statements from internet sources and used to compute the return on investment.

3.5 Data Analysis ad Presentation

The study evaluated the affiliation between board characteristics and shareholder value. Five out of the many insurance firms on the NSE list in Kenya were studied. The data to be analyzed were from the annual financial years 2010 to 2020. Computer software was used to make the collected data meaningful for interpretation. Data was broken down using descriptive statistics and displayed in graphs, tables and pie charts. Regression analysis was applied to determine the correlation between dependent variable and independent variables.

The correctional analysis is a technique applied in statistics to evaluate the strength of association between the variables under study. It is a statistical tool to evaluate the magnitude and significance of relationships between the variables. This analysis was carried out before regression analysis to develop a prediction model. The study used correctional analysis to detect the possibility of multicollinearity. A correction value of ± 1.0 reveals a perfectly negative and/or positive relationship between the studied variables. A value of zero reveals the absence of a relationship between variables. Correction values also indicate the strength of the relationship; $r = \pm 0.1$ to ± 0.29 signifies a minimal relationship, while $r = \pm 0.3$ to ± 0.49 indicates a moderate one; for values greater than $r = \pm 0.5$, the relationship is strong (Singh & Pattanayak, 2014).

Multiple regression analysis is a statistical approach that determines the association between one or more independent variables and a specific dependent variable. Illaboya and Obaratein (2015) regression model was used for this research; its mathematical expression is:

$$SH = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where SH= shareholder value creation (measured using the company ROI)

X1= Board Size (evaluating the number of board members throughout the study)

X2= Board Diversity (the ratio of female to male board members)

X3= Board independence (the number of independent directors to executive directors)

X4= Board expertise (the number of years spent on the board by a member)

ε = Error term

3.6 Diagnostic Tests

This research study used the panel data estimation technique based on its limited multicollinearity, greater freedom that allows for accurate estimates, and control for heterogeneity. The panel data technique can detect and measure statistical effects, which other estimation techniques cannot determine. The panel analysis uses two approaches: the Random Effects Model for models that exhibit random variation and The Fixed Effects Model for non-random quantities (Moundigbaye et al., 2018). Hausman's test was conducted to measure the approach utilized for the study. Beforehand, the regression analysis came after assumptions that included the normality, unit root test, and the independence of error terms. The study also identified outliers and the presence of multicollinearity.

3.7 Ethical Considerations

Research ethics are essential to human dignity and the integrity of the study. It enhances collaborations between society and scientific research. Defying ethical considerations lowers the credibility of the work. Before the data gathering procedure begins, research participants must authorize the data collection technique. This research made participation informed and voluntary for the research participants. In collecting the data, the study adhered to primary ethical considerations to protect the dignity and confidentiality of the research. The study provided information to fulfill the study's aims, the type of data required, and the potential risks that may arise from participating in the study.

4.0 Results

This section describes the findings and analysis of consolidated data of the sampled companies in the insurance sector over the study period 2010-2020. The board characteristics of the five companies that were sampled for the study (Jubilee, CIC, Britam, Liberty, and Kenya Re-Insurance) are discussed in this section. A comprehensive correlational and regression analysis was undertaken to study the significance of each board characteristic chosen on the returns on investment. The study findings are summarized in tables and graphs.

4.1 Statistics and Data Analysis

4.1.1 Data Summary

The study used descriptive statistics to generate a summary of the board characteristics. Descriptive statistics outline the variations between the parameters. The study focuses on how the independent variables relate to shareholder value creation, measured using ROI. Table 4.1 is a statistical summary of the study variables.

Table 4.1 Statistical Summary of Variables

Variable	Mean	Std Dev	Min	Max
ROI	0.372	0.1253794	0.22	0.54
Board size	9	1.8708287	7	12
Board Expertise	5.94	1.3957077	4.3	7.4
Board Independence(%)	73.17	4.2794634	66.67	77.78
Gender Diversity	2.40	1.3416408	1	4
Nationality(%)	27.50	37.582214	0.00	88.89

The results in Table 4.1 showed that the boards of the select insurance firms have a mean size of 9 members and the members have occupied the board positions for an average of 5.94 years (the number of years on the board was used to measure expertise). The board independence, represented as a percentage, had an average of 73.17 while 27.50% of the directors are foreign nationals, and women directors sitting at the board averaged at 2.4. The maximum number of women on one board was 4 while the minimum was one. A quick assessment showed that the largest board comprised 12 members while the smallest had 7 directors.

4.1.2 Correlational Analysis

Correlation analysis investigates and estimates the strength and direction of linear relationships between two study variables. Pearson correlation is used to assess the strength and direction of the linear relationships when two variables are involved, the coefficient can take values of between 1 and -1. The correlational analysis further predicts multicollinearity or the presence of intercorrelation between the independent variables.

Table 4.2 Results of Correlational Analysis of the Variables

	Average ROI	Percentage of women board member	Percentage of foreign members	percentage of Non Executives	Experience/ Expertise
Percentage of women board members	0.090				
Percentage of foreign members	0.167	-0.459			
Percentage of non-Executives	0.789	0.466	-0.065		
Experience	-0.262	-0.769	0.411	-0.222	
Number of Directors	0.672	0.360	-0.133	0.337	-0.814

The results on Table 4.2 show a strong correlation between the percentage of non-Executives and the ROI with a coefficient of 0.789. This shows a positive and strong relationship between the

independence of the board its Return on investment (ROI). The number of directors (board size) has a positive and slightly relationship with ROI with a Pearson’s coefficient of 0.672.

4.1.3 Anova Tests

The summary of One-way ANOVA statistics generated from the research data is as shown in Table 4.3.

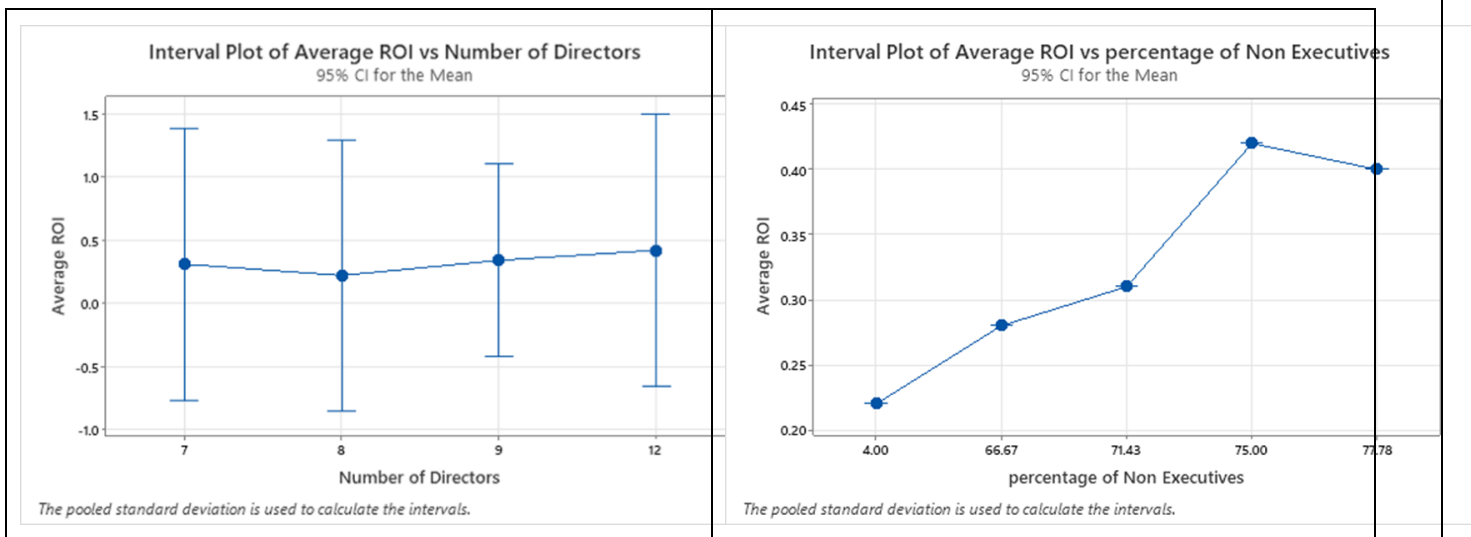
Table 4.3 Analysis of Variance Results

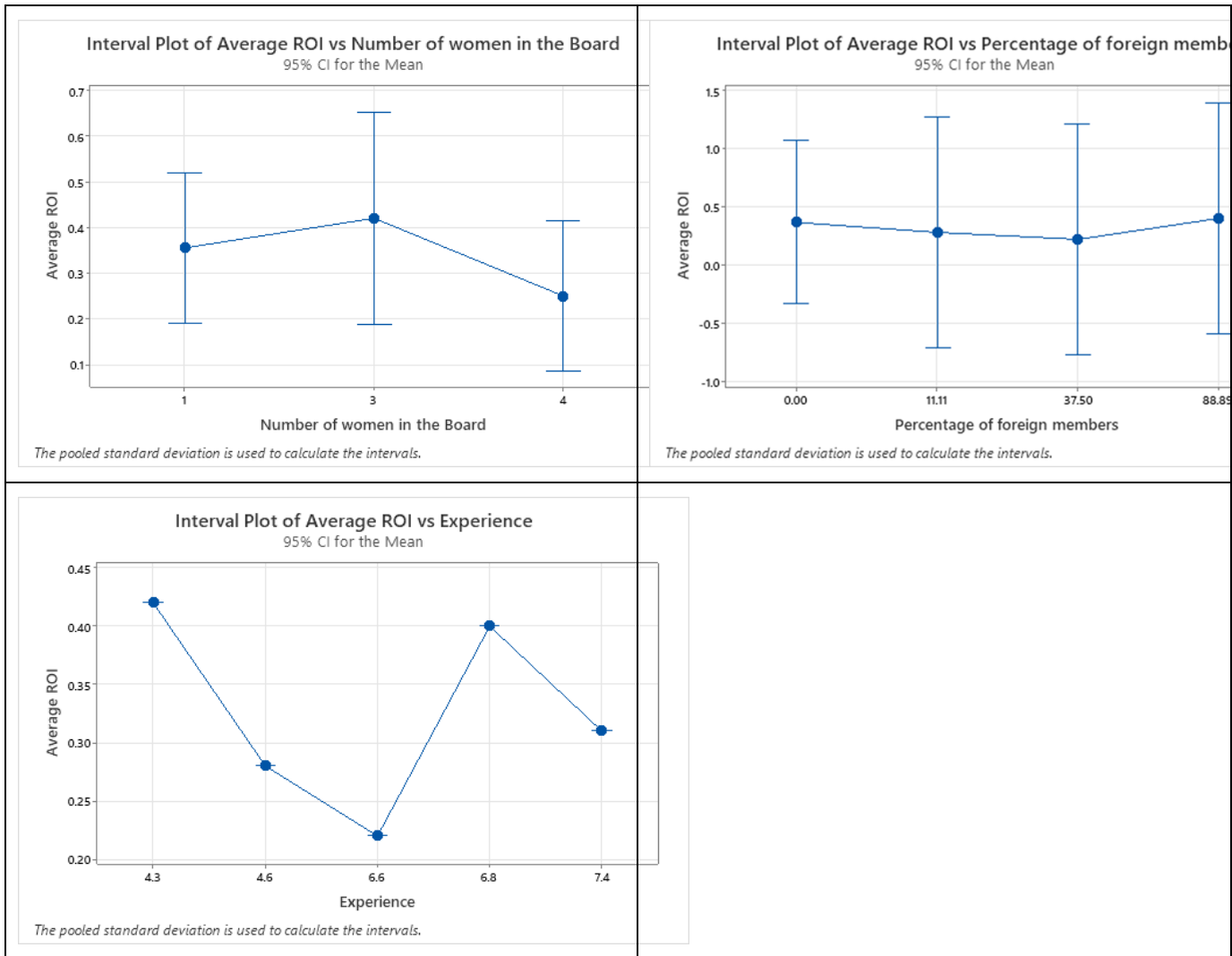
Model	Sum of Squares	Mean Square	F	Sig.
Regression	3.177	0.544	4.58	0.0001
Residual	6.234	0.123		
Total	9.411	0.667		

From the results the processed data had a significance level of 0.0001 (value is less than 0.05) which make them ideal in making inferences about the population variables. The F value found to be 4.58 is larger and exceeds 2.25 which is the tabulated F value. Therefore, we conclude that the model presented is significant and thus we conclude that the relationship between the ROI and the predictor variables is significant.

The results for the One-way ANOVA are summarized in the plots below.

Table 4.4 Summary of One-way ANOVA plots





Source: Research Data (2010-2020)

4.1.4 Regression Analysis

The following are the results from the multiple regression analysis of the study data:

Results of Multiple Regressions

S	P-value	R-sq	R-sq(adj)	R-sq(pred)
0.0517797	0.05	57.79%	52.59%	46.01%

The variables in our regression model explain 52.59% of the ROI recorded in the NSE-listed firms, as highlighted by the value of adjusted R square. This connotes those distinct factors outside the study contributed to 47.41% of the ROI/shareholder value.

The following regression equation was generated using the coefficients of regression of the independent variables

$$\begin{aligned} \text{Average ROI} = & 1.302 + 0.08726 \text{ Number of Directors} + 0.1217 \text{ Experience} \\ & + 0.000484 \text{ percentage of non-Executives} \\ & + 0.004593 \text{ Percentage of women board members} \end{aligned}$$

The regression model above was significant since the overall P value was less than 0.05. According to the equation, board size (number of directors), board independence (percentage of non-executives), board expertise (Years of experience), and board diversity (gender and nationality) were positively correlated with the Average ROI for the selected firms.

According to the model, keeping all factors constant (board size, expertise, independence, and diversity) constant at zero, the performance of the selected firms was 1.320. An increase by a unit in the board size while keeping the rest of the independent variables at zero leads to a 0.08726 in the ROI of the firm. Similarly, a unit increase in the experience (board expertise) results in a 0.1217 increase in ROI. In comparison, an increase in board independence by a unit led to a 0.000484 increase in ROI and a unit increase in the board diversity (women membership) led to a 0.004593 in ROI.

From the regression equation, board expertise made the most significant contribution to the ROI, followed by board size, board diversity(gender), and board independence respectively. The diversity of the Board had no impact on the ROI of the listed firms.

5. Summary, Conclusions, and Recommendations

5.1 Summary

The regression model derived from the study showed that board size, board expertise, diversity of the board, and board independence affect shareholder value creation for listed firms. All the study variables had a positive impact on the ROI. The study established that the four variables account for an estimated 52% of the ROI. This means that factors outside this study cause 42% of the variations in the ROI.

The study's results established that board expertise had the most significant impact with a coefficient of 0.1217. This means that boards with higher levels of expertise are associated with better performance in terms of shareholder value. The findings concur with Musallam (2020), that there exists a strong positive and linear relationship between board expertise and improved financial performance. The existence of directors with more experience extends the knowledge base and encourages the board to develop workable and innovative solutions to problems facing the firms (Salvioni & Gennari, 2016). Chenuos et al., (2014) also linked higher academic qualifications with increased shareholder value creation.

The board size was the second most significant independent variable, with a coefficient of 0.08726. This indicates that an increase in the board size increases ROI and shareholder value creation. Chenuos et al. (2014) concur with the finding; they suggested that a larger board

improves performance by boosting its aggregate cognitive process of financial judgment. More directors also increase the board's ability to oversee day-to-day operations. Kezia (2022) disagrees with these findings; he suggests that companies with smaller boards outperform those with larger boards because they are more efficient and effective.

The study also established that board diversity (women membership) positively influenced return on investment with a coefficient of 0.004593. These results agree with Hassan & Marimuthu (2016) linked women's membership with better firm performance. They linked gender-diverse boards with higher levels of productivity and profitability. The effect of nationality (percentage of foreign members) was insignificant; thus, its coefficient was not included in the regression equation.

Finally, the study discovered a significant relationship between board independence and ROI with a coefficient of 0.000484. This shows that the higher the percentage of non-executive directors, the higher the shareholder value creation. The outcome is consistent with a study by Scholer (2013) on the impact of board independence in a two-tier setting on corporate performance, which is positively linked to board independence. A possible explanation is that independent directors bring more diverse solutions to the corporation. Non-executive directors can also effectively monitor and oversee the management.

5.2 Conclusion and Recommendations

The study concluded that board expertise is the most crucial attribute of the board; directors are equipped with the requisite knowledge to mitigate risks, review internal control and seize available opportunities. It further concluded that gender diversity of the board also positively impacted shareholder value creation; since men dominate many boards in insurance firms listed in NSE, more women should be integrated into boards. Another conclusion in the study is that board independence positively and significantly affects shareholder value creation. Board independence is likely to boost independent thinking while minimizing conflicts of interests.

Based on the model developed from this study, Insurance Regulatory Authority should advice insurance firms to prioritize board expertise because it has the most significant effect on shareholder value creation. Insurance firms in Kenya should consider re-evaluating their board sizes to optimize their efficiencies; from the model developed in this study, a board of twelve members is likely to generate better outcomes. However, there could be variations depending on the company. The board should be large enough to make collective decisions. Insurance firms should revisit their board sizes occasionally to ensure it achieves their maximum potential. The Association of Kenya Insurers should lobby for the inclusion of more women into the director position because of their positive contribution to shareholder value creation.

The study focused on the effects of four board characteristics- board expertise, board size, board independence and gender diversity on shareholder value creation in insurance firms listed in the NSE. Future studies can investigate the effects of other board characteristics and factors, such as representational requirements, regulatory requirements, skills and talents on shareholder value creation. They could also be extended to cover a larger geographical region – East Africa, Africa and the world. In addition, further studies are needed to determine the effects of board

characteristics for firms in other sectors such as agriculture, healthcare, construction and manufacturing.

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