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Board Characteristics and Profitability of Listed Insurance Firms in Kenya

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ABSTRACT

The Kenyan insurance industry profitability has been very volatile, and the trend over 2013-2024 reflects a downward trend, which may be a menace to the industry's future. A reduction in profits can lead to cash flow problems, which would overstretch operational funds or investment in strategic projects. This study, focusing on the Nairobi Securities Exchange, analysed how board attributes affect the profitability of traded insurance companies between 2013 and 2024. Broadly, the study analyses 'the impact of board size, board independence, board meeting frequency, and board members' tenure on profitability'. In addition, the study assessed the moderating impact of inflation on the relationship between these board characteristics and firms' profitability. The study used explanatory research design. The theories of stakeholder, agency, resource dependence, macroeconomic theory of inflation, and stewardship theory formed the basis of the study. The study used a census method with secondary data and targeted six insurance companies listed on the Nairobi Securities Exchange (as of December 2024). The analysis examined the use of inferential statistics, as reflected in the Pearson correlation and panel regression analyses. Data were summarized descriptively. Diagnostic tests for normality, autocorrelation, multicollinearity, heteroscedasticity, stationarity, and model specification were performed to assess the accuracy and reliability of the data. The final data were represented in tables, graphs, and charts. Findings of this study provide stakeholders in the insurance industry, regulatory bodies, and policymakers with valuable insights. By determining the specific board attributes that significantly influence profitability and the role of inflation in this case, this study will inform strategies to improve corporate governance procedures and, ultimately, the long-term sustainability and stability of the insurance industry. The results showed a positive (β = 0.0160) but insignificant (p = 0.632) influence of board size on the profitability of the listed firms. The findings suggest that board independence was positively associated with profitability,

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but the association was statistically insignificant (β = 0.0173; p = 0.617). Board meetings had a statistically significant, negative influence on profitability, with a coefficient of -0.0333 (p=0.015). The tenure of the board of directors was reported to have a negative impact on profitability, with a coefficient of -0.0031 that was insignificant (p = 0.924). The study has also established that inflation did not significantly affect the relationship between profitability and board characteristics of Kenyan listed insurance companies (p=0.809) and did not negatively affect it (-0.0006). The study opines that insurance firms ought to conduct frequent valuations of their board structures.

Keywords: Board characteristics, Board independence, Board meeting, Board size, Board tenure, Inflation, Profitability

1.0 INTRODUCTION

Insurance is an undertaking where one organization covers potential risks presented by other organization through a valid contract on possible loss (Mwongela, 2022). It is a highly effective and advantageous way to distribute risk and provide compensation for losses (Abraham & Schwarcz, 2022). Insurance is crucial in mitigating a country's risks, serving as its backbone (Bawa & Chattha, 2013). The Insurance Regulatory Authority (IRA) oversees Kenya's insurance providers. IRA is an official governmental body established to oversee, supervise, and enhance the insurance market under the Insurance Act (Amendment) 2006, as outlined in Chapter 487 of Kenyan legislation (Kajwang, 2021).

The insurance sector is crucial for promoting long-term economic expansion by enabling financial stability, fostering capital formation, supporting development projects through funding, and fostering trade and commerce (Kiptoo, Kariuki, & Ocharo, 2021). A report by PricewaterhouseCoopers (PwC, 2023), on global insurance markets, opines that the long-term stability that insurers have relied on for predictable risks and with consistent financial growth is disappearing owing to technological, economic, social, environmental, legal, and geopolitical changes across the world. In the recent past, global pandemics, demographic shifts, climate change, and social instability have led to an unpredictable and fractured world where insurers have to cover a wider array with a high frequency of intensifying risks in the market using limited resources, referring to the International Association of Insurance Supervisors report (IAIS, 2022). Further, study emphasizes developing a holistic framework for specific risk mitigation policies with a micro prudential perspective to help enhance the financial resilience of the insurance sector. Globally, the insurance markets in advanced economies like North America, Europe, and parts of Asia benefit from strong regulatory frameworks, sophisticated human capital, innovative product portfolios, and advanced technologies, all enhancing

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profitability and resilience (Islamic Financial Services Board, 2023). The stability of insurance ventures is essential for the continuity of other enterprises (Kimani, 2023).

Ben Dhiab (2021) posits that Saudi Arabia's insurance market stands among the largest industries in the country, playing a substantial role in the non-oil economy. Ben Dhiab (2021) also asserts that the advancement of the Saudi Arabian economy has been propelled by significant swell of the insurance industry. Asian life assurance category is the fastest growing among global regions, with a growth rate of nearly 16 percent in 2015, similar to other financial services. Life insurance substantially enhances the economy, exerting significant influence on both small and large levels (Zainudin, Ahmad Mahdzan, & Leong, 2018). Malik (2011) states that the insurance industry is significant in Pakistan's service-based economy, as it functions as a financial intermediary. Drawing on research on life insurers in the UK, board characteristics are complex, and it is essential to consider potential interactions among various elements when forming opinions about their effectiveness (Deev & Khazalia, 2017). Li, Zhang, Tsai, and Qiu (2017) also noted that, although extensive management reforms were introduced in 2006, China's insurers business administration has advanced since then. However, there are still examples of management disappointments that highlight the limited effectiveness of the current organizational arrangements and methods. According to Vincent, Modjo, and Limijaya (2023), the insurance industry in Indonesia is becoming increasingly significant, and several high-profile scandals have brought corporate governance (CG) back into the spotlight. According to Kabbani and Zaneldin (2021), the executive team's position is crucial to a business's effective operation since it increases a company's legitimacy and credibility. Nevertheless, this knowledge is frequently inadequate, particularly in developing markets like the insurance industry in Syria.

Insurance companies are termed catalysts for economic development and growth, as they underwrite risks inherent in economic firms and consolidate resources for long-term investments across many firms worldwide (PWC, 2023). Thus, the sector must exhibit strong financial stability with set structures that enhance the stability and overcome obstacles that may hinder its expansion, particularly in emerging economies (Mwongela, 2022). A well-functioning insurance sector supports risk management for individuals and businesses, fosters long-term investments, promotes financial inclusion, and contributes to national development based on Organization for Economic Cooperation and Development (OECD, 2023).

In African context, South Africa stands out as a regional leader, with insurance penetration exceeding 13% of GDP. The market is home to domestic and international players such as Absa Insurance Company, Old Mutual, and Sanlam Limited, as opposed to other countries in Sub-Saharan Africa, which are still working to strengthen their insurance sector's performance (PWC, 2023). There are wider calls to positively strengthen the low insurance culture via reforms and policies such as recapitalization and market consolidation pursued by African governments and

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insurance regulatory authorities of the African countries. Public-private sector reform to enhance mandatory absorption of insurance demand schemes, damages by natural disasters, and expenditures should be considered for economic stability (Malambo, 2023). Therefore, there is a necessity for more research in the insurance sector of developing countries. Seeing the need for robust corporate governance, expanding economies like Nigeria acknowledge that both international and domestic investors often hesitate to invest in companies that do not adhere to sound corporate governance principles (Azutoru, Obinne & Chinelo, 2017). Fadun (2013) noted that numerous insurance firms in Nigeria have closed down, with others either being acquired or merged because of subpar performance attributed to inadequate corporate governance practices.

In East Africa, insurance penetration averages between 2% and 4%, with limited product diversification, low public awareness, and operational inefficiencies (World Bank, 2024). Overall, the outlook of the insurance market is auspicious. There are calls to enhance regulatory reforms that aim to help improve consumer protection, transparency, and solvency, which greatly influence the sector's landscape. The insurance firms ought to stay agile and adaptable to emerging trends that mirror innovation, human resource development, technology adoption, and market harmonization. Insurance firms need to leverage digital platforms more to help expand market outreach and better financial reporting.

Locally, referring to the report by Insurance Regulatory Authority (IRA, 2024), Kenya is considered one of the most dynamic markets in the East Africa region, with overall penetration remaining modest at 3.0% of GDP. The market continues to evolve through regulatory reforms, the adoption of digital platforms, and growing consumer demand for more inclusive insurance products (Association of Kenya Insurers [AKI], 2024). The Kenyan insurance sector, as an essential part of the nation's economic landscape, is vital in risk management, financial intermediation, and economic development (Kang'e & Risper, 2020). Thus, it is crucial to understand how board qualities and cash flow interact in this industry to ensure its continued viability and growth (Guizani, 2025). However, compared to the mature markets such as South Africa or Malaysia, where both conventional and Islamic insurance models have achieved significant market maturity, Kenya still has room to grow, especially in expanding product offerings and strengthening operational efficiency and performance (OECD, 2023). Recent reforms and regulatory improvements have fuelled market growth, but systemic challenges persist. These include limited consumer awareness, low financial literacy, operational inefficiencies, and reliance on traditional distribution channels (AKI, 2024).

Evidence from statistical performance reports indicates that insurance companies in Kenya consistently report outcomes that deviate from shareholder expectations. This trend appears increasingly harmful to the sector's monetary well-being (Were, Warui, & Kariuki, 2023). Muriuki and Mutugi (2017) also posit that insurance companies in Kenya are not well

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considered, as eight insurance firms have failed or required government intervention, averaging one insurance company in difficulty every 4 years. With the liberalization of the financial markets and increased globalization, insurance firms have been compelled to adopt comprehensive corporate governance structures to remain competitive and resilient in a challenging environment (Banda, 2023). The Board of Directors was established to oversee the administration, including the CEO, for the benefit of the stockholders, united in the shared goals of maximizing shareholder value and profitability (Opanga, 2013). Board characteristics are significant in insurance companies, fostering accountability and enhancing operational transparency (Fadun, 2013). This study recognizes the complex nature of supervisory panel features by emphasizing four crucial elements: meetings, board size, autonomy, and longevity.

1.1 Statement of the Problem

Recent evidence indicates that profitability within the insurance industry has exhibited noticeable fluctuations over time. Average profitability of listed insurance firms between 2013 and 2024 as measured by ROA has been as follows: The ROA of the registered insurance business in Kenya was 28% in 2013; this fell to 26% in 2014 and a further fall to 19% in 2015. ROA fell further to 5% in 2016, 6% in 2017, and 3% in 2018. There was a slight increase to 13% in 2019 and a decrease to -6% in 2020. However, the profitability increased to 9% in 2021 but fell to 3% in 2022 and -4% in 2023 and rose to 8% in 2024. This trend indicates unstable and declining profitability among Kenyan-listed insurance companies. The instability in profitability poses a significant challenge for insurance stakeholders. The subsequent downturns introduce uncertainty, hindering strategic planning and resource allocation. This dynamic nature of profitability may jeopardize long-term sustainability, impairing insurance businesses' ability to thrive in a contentious market.

Several studies have presented conflicting reports on insurance companies' determinants BOD characteristics and financial performance. Many insurance firms' providers struggle with issues due to talent shortages, competency, risk management, and Shariah-compliant product development (Jirwa, Ooko & Ahmad, 2024). Evidence from Akinyomi and Olutoye's (2015) comparative analysis of board features and profitability indicates that size and composition are positively but insignificantly correlated to profitability. The Nigerian banking environment was the focus of the analysis, raising a contextual gap that this research addressed by examining listed insurance firms in Kenya. Kimosop (2011) concluded in his research that ROA (Return on Assets) and board proportions have an inverse relationship. Whereas the regularity of board meetings exhibited a favourable statistical relationship with ROA. However, the research leaves a temporal gap, focusing only on 4 years (2006-2009). This analysis intends to close this gap by

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extending the study period to 10 years to examine how the various factors relate to one another over a longer period, thereby accounting for long-term effects.

Odhiambo and Njuguna (2019) reaffirm that developing key competitive strategies in the insurance sector tends to outperform peers, achieve sustainable profitability, and enhance market relevance. Human capital management, technological integration, cost management, and product diversification remain key factors to the financial performance of insurance companies, where they limit firms' ability to optimize pricing and profit margins, manage risk portfolios, constrain efficiency and customer experience, and innovate effectively (Kiptoo & Kariuki, 2021). Addressing key gaps is critical to ensuring insurance companies' financial sustainability and long-term growth. Without a deeper understanding of these determinants of economic performance, many insurance providers risk continued underperformance and marginalization in an increasingly competitive market. Moreover, policymakers and regulators require empirical evidence to guide targeted interventions that can promote the growth of ethical board with effective financial services in Kenya's diverse economy.

The aforementioned studies offer valuable insight into how board characteristics influence profitability. The study period in most studies is short, creating a temporal gap because the long-term effects are not considered. The rise in inflation was not an important moderating factor in these studies. This presentation addresses a conceptual niche in explaining why inflation moderates' association between performance of public registered insurer and board members' attributes. By examining these board characteristic dimensions, profitability of publicly traded insurance companies, this study endeavours to advance scholarly knowledge and provide actionable insights to guide decision-making within the Kenyan insurance industry.

1.2 Study Objectives

This study was based on both overarching and particular goals.

1.2.1 General objective:

The research analysed the link between board characteristics and profitability of insurance firms listed at NSE.

1.2.2 Specific objective:

i) To examine the effects of board independence on NSE-listed insurance firms' profitability.
ii) To assess board size effects on NSE-listed insurance firms' profitability.
iii) To establish how board tenure affects listed insurance firms' profitability.

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iv) To assess the effects of board meetings on listed insurance firms' profitability
v) To examine the moderating role of inflation on the association between board characteristics and profitability among insurance firms quoted on the NSE.

1.3 Research Hypotheses

H_{01}: Board size have no significant effect on profitability of listed insurance firms.

H_{02}: Board independence have no significant influence on profitability of listed insurance firms.

H_{03}: Board meetings have no significant influence on profitability of listed insurance firms.

H_{04}: Board tenure have no significant influence on profitability of listed insurance firms.

H_{05}: Inflation does not significantly moderate the relationship between board characteristics and the profitability of listed insurance firms.

2.1 Theoretical Literature Review

According to Galvan & Galvan (2024), theoretical literature connects a researcher to existing knowledge. It helps identify key variables influencing a phenomenon and is widely used in explaining, predicting, and understanding relationships between variables. An evaluative report of knowledge gathered from various academic sources relevant to a chosen study that supports formulating research objectives and associations between variables (Chigbu et al., 2023).

2.1.1 Agency Theory

Jensen and Meckling, (1976), state that the agency theory focuses on the agency problem and how to solve it. Agency theory analyses complications faced by firms stemming from the disconnect between owners and managers, highlighting the urgent need to resolve and lessen these difficulties. In their 1976 research, Jensen and Meckling defined the firm as a complex entity dedicated to enhancing its value and financial prosperity. This quest for optimization depends on productive cooperation and synergy between the various stakeholders of the company. However, due to these stakeholders harbouring varying interests, conflicts naturally arise. These disputes are predominantly resolved using managerial control and ownership as the involved parties realize that their gains are intricately linked to the firm's ongoing existence. Consequently, their excellent performance becomes crucial in guaranteeing the firm's survival (Panda & Leepsa, 2017). Manu, Alhabsji, Rahayu, and Nuzula (2019) agree that effective corporate governance is essential for reducing agency issues, as it consistently aims to enhance corporate value and synchronize all involved parties' interests.

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Agency theory explains the interaction between shareholders and managers by highlighting how divergent interests between these parties can give rise to conflicts within firms (Alabdullah, Ahmed, & Kanaan-Jebna, 2022). Bathula (2008), in his study titled 'Board Features and Company Performance: New Zealand Data,' contends that managers are not inherently trustworthy. Hence, he asserts the necessity for rigorous oversight of management by the board to safeguard shareholder objectives. Subsequently, the active oversight of the management actions is considered a fundamental duty of the board, aimed at mitigating agency issues and ultimately achieving superior organizational performance. This study stresses agency theory as it establishes profitability's crucial connection with board characteristics implemented to safeguard and enhance profitability. An agency dilemma emerges when mismanagement occurs within an insurance company, resulting in financial losses and ultimately leading to its downfall. Consequently, shareholders find themselves unable to receive dividends or recover their investments. This theory supported all explanatory variables under study.

2.1.2 Stewardship Theory

Donaldson and Davis (1989) proposed that corporate directors are the custodians of corporate property, and expected to act in the shareholders' greatest good. Stewards tend to exhibit supportive and community-oriented actions, which deemed more valuable than self-centred, individualistic behaviour. As a result, a steward's conduct stays in harmony with the organization's interests, as their foremost goal is to attain the organization's objectives (Yusoff & Alhaji, 2012).

Stewardship theory acknowledges inherent agency dynamics in corporations, but what sets it apart is the assertion that agents or directors, acting as stewards, give precedence to their company's welfare over their financial gains. Their actions are guided by the company's best interests, aiming for collective and organizational benefits rather than self-centred advantages. By pursuing the organization's goals, they simultaneously meet their personal needs. This leads to a convergence of interests between directors and the company (Keay, 2017). According to stewardship theory, the significant power placed in specialized administrators enables them to optimize both profits from operations and company efficiency, as discussed (Bathula, 2008). This preposition is pertinent to our analysis as it aids in exploring the association between the advisory team characteristics and indemnity entities' profitability. In insurance firms, effective board traits such as panel independence and panel tenure can foster a culture of stewardship among board members. Boards comprised of independent directors with relevant experience are more inclined to behave in the shareholders' greatest good, making decisions that enhance the firm's profitability over time.

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2.1.3 Stakeholder Theory

Stakeholder theory established by Freeman's 1984 publication, "Strategic Management: A Stakeholder Approach." The core concept of this theory, as articulated by Freeman, is that a business or organization to adhere to the requests of every person or group that is influenced by its measures and choices, rather than exclusively concentrating on profit maximization for stockholders. This theory questions the conventional belief that a business's shareholders are its first responsibility, positioning shareholders as just one of the many interested parties that managers must factor into their decision-making process (Ruf et al., 2001).

Academics have contended that an organization's capacity to avert or adeptly address a crisis hinges on the precision of its assumptions and understanding of how its stakeholders will behave in crises (Alpaslan & Mitroff, 2009). Osiga and Kimutai (2023) asserted that the stakeholder theory emphasizes how crucial it is to match the objectives of every party involved as a means to enhance company efficiency. Consequently, this theory will be valuable in examining the board characteristics and their impacts on the risk management industry's competitiveness of companies in Kenya, supporting all variables. By applying stakeholder theory, researchers and practitioners can analyse how different board characteristics influence not only shareholder wealth but also the overall well-being of various stakeholders. For instance, a balanced board composition with independent directors might enhance transparency, accountability within insurance firms for sustainable financial success.

2.1.4 Resource Dependence Theory

The foundation of resource dependence (Pfeffer and Solancik, 1978) is the need to establish connections both within the organization and with external information in its surroundings. From this standpoint, directors help in linking the organization with its external elements by securing essential resources for its survival (Nazir Gardazi, Sheikh Hassan, Saidin, & Johari, 2023). As per the tenets of resource dependency theory, directors provide resources, including information, expertise, crucial stakeholders (such as vendors, purchasers, government influential individuals, and societal networks), and legitimacy. These resources, when combined, serve to reduce uncertainty (Yusoff & Alhaji, 2012). Through the lens of the theory, company BOD are anticipated to facilitate the availability of diverse resources and offer meaningful counsel to managers, aiding in the pursuit of their profit maximization objectives (Bhatt & Bhatt, 2017). The concept is significant to the study as it can help analyse the characteristics of the BOD and how it determines profitability of the Kenyan insurance company. For board characteristics, effective board structures (size, independence, tenure, and panel discussion proportion) can be viewed as mechanisms to enhance the firm's control over critical resources such as information,

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expertise, and relationships. A well-structured board with independent directors could reduce the firm's reliance on external entities, enhancing profitability.

2.1.5 Macroeconomic Theory of Inflation

Keynes (1936) advanced the macroeconomic theory of inflation. Keynes's macroeconomic theory of inflation posits that inflation arises when a society seeks a lifestyle beyond its economic capacity, framing the inflationary process as a struggle amid societal segments contending for wealth exceeding the community's sustainable limits (Fahlevi et al., 2020). Keynes and his followers highlighted the rise in total demand as the driving factor behind demand-driven inflation (Totonchi, 2011, July).

Inflation can affect the valuation of assets and liabilities held by insurance companies. In a high-inflation environment, the nominal values of assets may increase, but the real (inflation-adjusted) values may not necessarily rise at the same rate (Cieslak & Pflueger, 2023). This can have implications for financial statements accuracy and, consequently, board characteristics. Efficient corporate governance requires transparency and accurate reporting of financial data. The belief is that excessive inflation harms economic performance, but maintaining zero inflation is also detrimental, as a mild level of inflation is necessary for economic growth and to avoid eventual stagnation (Ehiogu, Eze, & Nwite, 2008). The inflation value also exhibits a prominent correlation with the profitableness of insurer identities (Iqbal, Rashid &Tabassam, 2021). Visconti (2011) contends that inflation can make it difficult to handle conflicts of interest within a company, causing an uneven and somewhat hidden shifting of risk among various people involved. This theory will support the moderating variable (inflation) in this inquiry. Keynesian economics addresses the cyclical nature of economic activity, with periods of expansion and contraction. During economic downturns, such as recessions, insurance firms may face challenges such as increased claims, reduced investment returns, and lower demand for insurance products. Conversely, during economic expansions, insurance firms may experience growth opportunities and improved profitability. Board characteristics, including board oversight and the formulation of strategic decisions, can play a crucial role in navigating these business cycle dynamics and mitigating their impact on profitability.

2.2 Empirical Review

2.2.1 Board Size and Profitability

Mensah et al., (2024) described corporate governance framework establishment of the Ghanaian companies' profitability, both listed and unquoted. The sample consisted of thirty quoted and unquoted businesses from 2010 to 2018 for return on assets (ROA) and board structure. Panel regression was used in the quantitative study's analysis. Board size showed negative association

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for a subset of Ghanaian traded and unquoted firms using GPM and NPM. To bridge that gap, this study concentrated on Kenyan-based listed insurance firms. The study did not introduce any moderating variables. This study introduced inflation as a moderating variable to bridge the conceptual gap.

Awad, Gharios, Abu Khalaf, and Seissian (2024) studied the link between commercial banks' stock performance and board composition. The analysis was based on quantitative data that was taken from 65 banks as a sample in ten MENA countries in the years 2013-2022. The study applied pooled OLS. Additionally, several control variables were included, including the size, profitability, and capital adequacy of the bank. According to the empirical results, bank stock performance and board size are adversely correlated, implying that the shares of banks with fewer board members are outperforming those of other banks. The study made use of the dependent variable, banks' stock performance, raising a conceptual gap, which this study filled by having its dependent variable be ROA. The study emphasized commercial banks in MENA countries (Middle Eastern and North African countries), raising a contextual gap. The study examined Kenyan-listed insurance firms.

Tajuddin, Akter, Mohd-Rashid, and Mehmood (2024) examined the relationships between BOD independence and size of top 50 firms listed from 2017 to 2019 on the Tadawul Securities. It linked boards attributes and TBL reporting, incorporating its individual components, was examined using quantile and OLS. Board independence and size showed strong unfavourable link to the social bottom line. The emphasis was on businesses included on the Tadawul Stock Exchange, leaving a contextual void. This study covered the gap by focusing on NSE-listed insurance firms. The study also examined board size against triple bottom line reporting, raising a conceptual gap. This research concentrated on board size against the profitability measured by ROA to fill the void.

2.2.2 Board Independence and Profitability

Yahaya (2025) investigated how board diversity affects the profitability of publicly traded corporations. The research study examined how various board diversity variables, in this case independence, size, and gender, can affect business profitability based on the contingency of returns on assets. It adopted panel data involving 150 listed businesses in Nigerian Stock for the year 2014 – 2023. Findings gave positive correlation among BOD independence, diversity and business profitability. It left a contextual gap, as it focused on Nigerian listed companies, and a conceptual gap, as it lacked moderating variables. The paper addressed these gaps by targeting Kenyan listed insurance companies and using the concept of inflation as a moderating factor, respectively.

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Alotaibi and Abdulwadod Al-Dubai (2024) examined the relationships among gender diversity (GD), board diversity (BD), and corporate ESG performance (ESGP) and the roles of these variables in mediating the relationship between ESGP and corporate profitability (CP). The sample for the investigation comprised 126 publicly traded non-financial enterprise-years in Saudi Arabia during the period 2013 to 2022. Reports indicated BD enhances ESGP, particularly in independent directors. Additionally, the findings from the moderation models indicated that BOD independence not significantly associated with ESGP and corporate profitability. The lack of contextual and conceptual gaps was identified by focusing on Saudi non-financial enterprises and framing the task to board diversity moderating ESGP and corporate profitability. The study addressed these gaps by focusing on Kenyan-listed insurance companies and using inflation as the moderating variable.

Kufo and Shtembari (2023) examined board independence and size impacts on 9 Albanian insurance companies' performance, using financial details spanning 2013-2017. The study focused on applying ROA and ROE indicators to evaluate company performance. Outcomes revealed a positive performance relationship with board independence. Given that the study took place in Albania with a contextual niche. By emphasizing on listed Kenyan insurance firms, our study closed this gap. Due to the lack of a moderating variable and the brief study period of five years, a conceptual gap creates a temporal hole. By employing inflation as a moderating variable and a longer decade data from 2013 – 2022 making this study closed these discrepancies.

Osman and Samontaray (2022) examined corporate governance factors' effects on Saudi Stock Exchange (TADAWUL) listed general insurance firms' performance, employing both linear regression and logarithmic regression models. The three dependent variables that were used to gauge success were ROA, ROE, and Tobin Q. Empirical findings illustrated that insurance businesses' performance is indeed impacted by the board's make-up, specifically, independent board directors' proportion. Lack of moderating variables established a conceptual void that this investigation addressed by including inflation rates as a moderating element. The study's concentration on publicly traded general insurance companies on TADAWUL created a contextual vacuum. This study concentrated on NSE-listed insurance firms.

Di-Biase and Onorato (2021) conducted a study examining how specific board characteristics of insurance firms can significantly influence their bottom line. The researchers evaluated effects of many board-specific parameters to achieve this goal. The analysis findings illuminate that the structure of the board and the extent of its autonomy emerge as the most salient governance factors, potentially favourably impacting insurers' market performance. A contextual gap occurs as the study concentrated on three geographic regions, namely North America, Europe, and Asia. To close this disparity, Kenya's listed insurance firms were reviewed. The performance measure was on the insurers' market performance, raising a conceptual hole for ROA.

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2.2.3 Board Meetings and Profitability

Eltamboly (2025) conducted a study to look into how North Africa and Middle East banks' profitability are influenced by the remote board meeting method. A linear function was adopted for remote board convening banks' profitability by looking at the connection between the adoption of remote board gatherings and the banks' resource dependencies. They also looked at how distant board meetings affect the link between banks' profitability and their busy board members. Results reaffirmed the relevance of BOD meetings greatly increased the banks' overall profitability. The study raised a conceptual void by concentrating on remote board meetings and their linked effect on bank's ROA bridging the gap by concentrating on general board meetings rather than only remote meetings and their impact on listed insurer profitability.

To comprehend how modifications to board meetings may affect the performance of the bank in the future, Haque et al. (2025) analysed the relation between population of BOD and the banking performance from the prior year. From 2011 to 2019, 42 banks in Bangladesh provided the sample, and multivariate regressions were used to examine the data. The research's two main conclusions are that bank performance in the previous year affects the quantity of board meetings that take place in a year, with poor performance resulting in more meetings, and that holding more board meetings results in improved bank performance. The study's findings were great; however, there was a contextual void since it was done in Bangladesh with a focus on banks. Addressing the identified gap, this study focused on Kenyan listed insurance companies.

Tripathi and Raj (2025) studied corporate board meetings and hotel industry performance. Performance of the Indian hotel business is objectively examined in this study from 2004 to 2019, during which time 1,348,989 directors attended 224,568 company board meetings. The hypotheses are tested using GMM, fixed effects, and OLS estimation. According to the findings, board meetings, attendance, and hotel industry performance are positively correlated with ROA and ROE. Their study did not employ any moderating variables, raising a conceptual gap. This study used inflation rates as its moderating variables. There is also a contextual void since the study emphasized Indian hotel businesses. Accordingly, this study emphasized Kenyan-listed insurance firms.

Kieti and Aluoch (2024) examined activities of the BOD in the listed agricultural firm's performance. The research was conducted from 2013 to 2022, with ROA as a variable of profitability. The research design introduced in the study was causal. The exploration found that board meetings have a significant and positive impact on the profitability of Nairobi Securities Exchange-listed agricultural firms. Agricultural companies were specified as the target of the study; a gap in the context was filled, as publicly listed insurance companies were the focus of the study.

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A study presented by Magoma et al. (2024) aimed to identify how board meetings, as well as financial knowledge and effect on listed Tanzania and Kenya bank's performance in 2017 – 2022 period. Results showed meetings helped improve financial performance. Research by Njuguna et al. (2022) found that effective cost management, including strategic control of acquisition costs, claims expenses, administrative overheads, and marketing expenditures, directly impacted profitability across the Kenyan insurance sector. Firms with stronger cost discipline consistently reported higher underwriting profits and more substantial return on equity (ROE). For Takaful insurance, cost management is not merely about expense reduction but also about achieving operational efficiency while maintaining compliance with ethical guidelines. According to Alhammadi (2023), many Takaful firms struggle with elevated operational costs due to the need for specialized staff, additional governance layers such as Shariah boards, and complex product development cycles. While necessary to maintain trust and transparency, these factors can erode financial performance if not well-managed.

2.2.4 Board Tenure and Profitability

The primary objective of the study by Ardianto et al. (2024) was to adequately examine the relationship between the performance of a company in terms of its sustainability and director tenure diversity. The research sampled 578 non-financial companies in Indonesian Stock from 2016 to 2019. The research involved a variety of endogeneity tests alongside the Ordinary Least Squares to examine the hypothesis. Further, the analysis showed convex association for tenure and sustainable results. The attention was directed towards the sustainability performance of the company, leading to a conceptual gap. The given gap was resolved by the study, which analysed the as a dependent variable. There was also creation of a contextual vacuum whereby the analysis focused on non-financial businesses in Indonesia.

Ganivy and Setiany (2024) examined factors that affect earnings management by debt, profitability, and diverse BOD. The population of the study was non-cyclical consumer businesses listed on the Indonesia Stock 2016-2020. The evaluation of data based on a sample of 40 firms was performed using EViews 12 in order to conduct panel data regression. The diversity of the board was considered based on the tenure of the board members, their gender, age, and their educational background. DAR as advantage, and the modified discretionary accrual model of Jones on earnings management. These findings showed that earnings management did not have any relationship with the board tenure.

Varouchas (2024), in a nonlinear dynamic framework, investigated the impact of boardroom tenure and financial knowledge on the progress of 305 US banks in the year 2010 – 2021 and applied three empirical methodologies: quantile approach, threshold methodology, and GMM analysis. The outcome showed that tenure and boardroom financial knowledge positively affects

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bank performance, both alone and in combination. Additionally, the scholars presented proof of convex shaped connections between banks margin and boardroom tenure. On the other hand, boardroom tenure improves low-performing banks' performance while depressing that of their high-performing peers. With the focus of the study being the US banks, there is a contextual gap. This study filled this void by centring on Kenyan listed insurance firms. The study also used a quantile approach methodology and GMM analysis, raising a methodological gap. This study employed descriptive analysis.

Livnat et al. (2021) examined panel tenure correlation with company efficiency; the scholars utilized a comprehensive dataset comprising approximately 3,800 United States (US) firms spanning a two-decade period. The board-related information for this study was sourced from the database Capital IQ covering the years from 1996 through 2016. The results of the study show a mispricing tendency by investors regarding board tenure, namely from the table CIQ Professional, which catalogues information on professionals linked with varied businesses. They found that while longer tenure is linked to market value with no automatic yield to better ROA determined by analysts' target prices. The measures for performance in the study were market valuations and analysts' target prices, bringing about a conceptual hole.

2.2.5 Board Characteristics, Inflation, and Profitability

Mukaria and Aluoch (2025) investigated the effects company corporate management and inflation of listed manufacturing firms in Kenya. Descriptive survey methodology was utilized. Data from auxiliary sources was gathered between 2016 and 2023. The profitability of Kenya's listed industrial companies was strongly and favourably correlated with both board diversity and the rate of inflation. The research concludes that inflation and corporate governance significantly affect firm profitability. The study was looking at manufacturing companies listed on the NSE, raising a contextual gap. This study aimed at NSE-listed insurance firms. There is a conceptual gap arising from the study having utilized inflation as an independent variable.

Ritho (2024) examined how business factors influence Kenyan insurance companies' financial performance. With inflation serving as a moderating variable, the study also evaluated how revenue generation efficiency mediates the link between firm features and monetary stability. Positivist philosophical approach was employed with explanatory research methodology involving 46 insurance companies with IRA licenses that were in business between 2014 and 2021. Findings showed no modification on inflation and financial health of firms.

Tsvetkova et al. (2021) looked at issues influencing the financial results of policyholders in the Russian Federation. Using factor analysis, multivariate regression, correlational study, and qualitative analysis, 45 insurance enterprises and organizations that had been continuously

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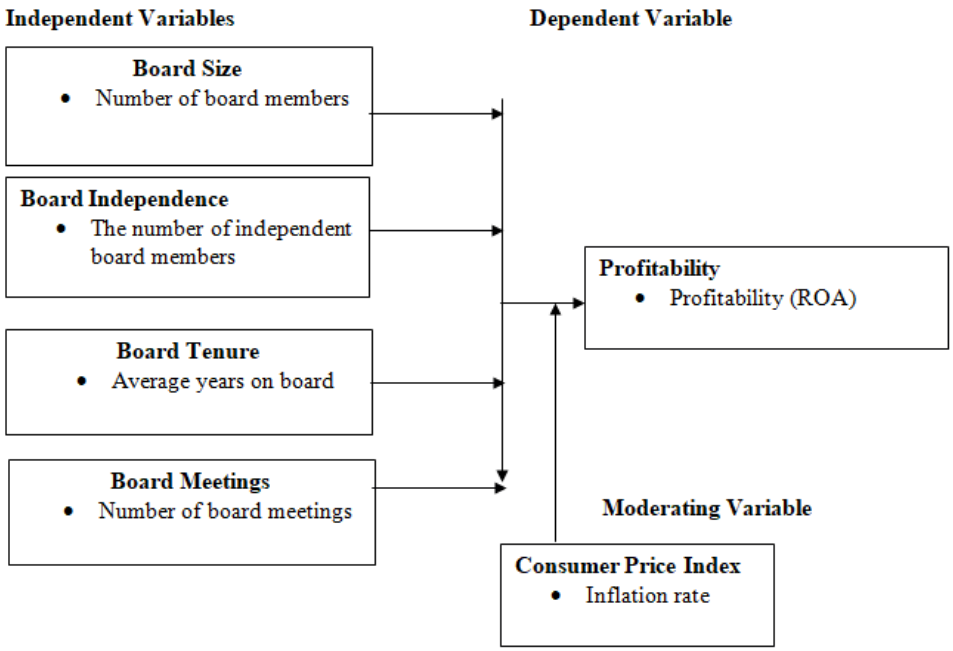
functioning in the Russian Federation from 2012 to 2018 had their monetary secondary data reviewed. Outcomes demonstrated that the insurance rate of expansion with ROA and price increases had a detrimental association. The study was done in Russia with a focus on Russian insurance companies. This examination was carried out in the Kenyan context with a focus on listed insurance firms. Inflation was employed as a separate variable (independent), raising a conceptual void. This study filled this hole by having inflation as a moderator to board attributes and ROA gains to publicly traded firms.

Doan (2020) looked at how funding decisions affected Vietnamese business performance. Information from 102 non-monetary companies that were publicly listed on the (HOSE) stock exchange in the years 2008 to 2018 was used in the inquiry. ROA was used to evaluate the success of the company, and an inflation rate was used as an indicator of control. The results demonstrated how inflation as a trend promotes business expansion. The association between the funding choice and the outcome of the company was examined using hyperinflation as a control parameter. This investigation intended to address this theoretical gap by analysing how hyperinflation influences the link for BOD qualities and ROA with limitation in context since the study was undertaken in the setting of non-financial businesses registered on HOSE.

2.3 Conceptual Framework

Figure 1.1: Conceptual Framework



Source: (Researcher, 2024)

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3.0 Research Methodology

Explanatory research methodology was adopted to provide the basis for explaining the reasons or causes of observed patterns. Das's (2016) explanatory research attempts to reveal the insights into the factors that cause certain relationships. The rationale for the explanatory research design was that the researcher was interested in what lay behind or caused the observed phenomenon, rather than merely describing it.

Six insurance companies registered on the NSE as of December 2024 comprised the target population of this study. Since they are watched by both capital market authorities (CMA and NSE) and insurance regulators (IRA), listed insurance businesses are subject to stricter regulation. Data from these listed companies is easily accessible, and the data accessed is trustworthy because of the stringent disclosure standards and regulatory monitoring. This leads to increased compliance, transparency, and consistency, which makes them more trustworthy for research. Data on board characteristics, insurance companies' profitability, and inflation rates were collected using a data collection sheet. Prior to data collection, the appropriate institutions were consulted to give approval. The main permission to gather information was applied to the Kenyatta University graduate school; the introduction letter from KU was obtained in advance. NACOSTI was asked to give permission to collect data. A letter of introduction was used as support for the application for (NACOSTI) authorization. The data collection sheet was used; the researcher analysed the financial statements and annual reports of the insurance companies with the aim of obtaining the secondary data of the ROA and the board characteristics, which were registered on the data collection sheet.

4.0 RESULTS AND DISICUSSIONS

4.1 Descriptive Analysis

Table 4.1 illustrates descriptive tally of the summary based on frequency, mean, minimum, maximum thresholds, the mean, and standard deviation.

Table 4.1: Descriptive Results

Variable	Tally	Mean	Std. dev	min	max
Profitability	30	.04592	.2378875	-.6371	.7569
Board size	72	9.513889	1.978711	5	13
Board independence	70	4.542857	2.70633	1	10

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Board meetings	69	7.217391	4.061547	3	22
Board tenure	64	5.784266	2.783575	.58	14.11
Inflation	72	154.44	28.31449	111.866	202.12

Source: Study Data (2025)

As in Table 4.1, profitability records 0.04592 as the mean and 0.2379 as the std dev. The average illustrates that listed insurance companies have low to moderate profitability. Std. dev demonstrates moderate level of variability of the average, suggesting that profitability among the firms is relatively spread out. The minimum value of the profitability value at -0.6371 depicts cases of financial losses among a section of firms. In contrast, the maximum value at 0.7569 suggests that some firms have significantly higher profitability. Standard deviation of 1.978711, the mean on board size was 9.513889. Positive mean implies that the boards of the quoted insurance companies in Kenya are fairly sized, averaging between nine and ten board members. The standard deviation is a demonstration of minimal variability, implying uniformity in board compositions amongst the companies. Five represents the lowest board size while thirteen represents the highest, signifying variability in board compositions. Larger board compositions may promote strategic decisions that can positively influence profitability, according to Mugo (2014), although oversized boards may result in inefficiencies.

As portrayed in Table 4.1, boards' independence, had an average of 4.542857 and standard deviation of 2.70633, indicates that boards, on average, have roughly four to five independent directors. The standard deviation indicates moderate variability and spread across the level of independence of firms. The minimum of 1 and the maximum of 10 independent directors confirm this scope, too. High board independence is significantly associated with improved oversight and accountability, which translates into financial performance enhancement, too, as also confirmed by Nathan et al. (2021). 7.217391 is the mean frequency, and 4.061547 is the standard deviation. This means boards conduct about seven to eight meetings annually with moderate variability at the firm level. The 3 and 22 minimum and maximum, respectively, indicate great variations in frequency. More frequent board meetings have the potential to improve governance and oversight of strategy with beneficial spillover effects on profitability, as emphasized by the Central Bank of Kenya (2023) in a commentary on the practice of governance.

Board tenure lasts 5.784266 years on average, with std. dev of 2.783575. Therefore, the directors have estimated average tenure on the board of about six years with moderate variability.

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Minimum 0.58 years and maximum 14.11 years of tenure are indicative of a wide range in experience among directors. Referring to Barako, (2006), longer the tenure results into institutional knowledge and entrenchment, which can have a detrimental impact on strategic flexibility. In Table 4.1, 154.44 is the mean inflation, and 28.31449 is the standard deviation. A high mean is a manifestation of the difficult macroeconomic situation in Kenya during the study period. A moderate variation is a message given by the standard deviation, with variation in inflation between 111.866 and 202.120. High inflation squeezes profit resulting into high operational charges, according to previous studies (Kenya Bankers Association, 2023). In addition, sound governance and strategic disclosures have been highlighted by CBK as critical in managing external risks and enhancing resilience and financial inclusiveness in the industry.

4.2 Diagnostic Test

The rationale for implementing diagnostic tests was to assess whether the dataset was suitable for producing significant outcomes. Diagnostic involved, normality, autocorrelation, heteroscedasticity, stationarity, and the Hausman tests

4.2.1 Normality

Normal assumptions play a significant role in regression analysis to ensure there is a valid inference and reliable coefficient estimates. By holding this assumption, efficient testing of hypotheses, computation, and interpretation of confidence intervals are permissible (Sileshi, 2015). Breach of the assumption of normality could result in estimate biases of the coefficients, incorrect standard errors, and invalid p-values (Van der Elst, 2023). The Shapiro-Wilk test was adopted to test the assumption of normality, and the resulting outputs are as in Table 4.2.

Table 4.2: Shapiro-Wilk

Variables	Obs	W	V	Z	Prob>z
Profitability	30	0.81728	5.808	3.637	0.00014
Board size	72	0.98700	0.819	-0.435	0.66833
Board independence	70	0.84652	9.447	4.884	0.00000
Board meetings	69	0.86425	8.259	4.587	0.00000
Board tenure	64	0.98103	1.086	0.179	0.42897

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Inflation	72	0.97064	1.849	1.339	0.09028

Source: Study Data (2025)

Table 4.2 shows that profitability, board independence, and board meetings had a p value of less than 0.05 implying that deviation from normality. However, board size, board tenure, and inflation show non-significant p-values, showing that their distributions are inconsistent with normality. The above result indicates that board size and board tenure only approximate normal distributions, while board independence and board meetings need non-parametric methods for further analysis due to their non-normal distributions. Based on this finding, Rajh-Weber, Huber, and Arendasy (2025) asserted that even under non-normal errors and heteroscedasticity, robust standard error estimation can yield valid inference. Hence, the study applied robust standard error estimation with a view to yielding efficient parameters, thus providing a valid conclusion for purposes of inference.

4.2.2 Heteroscedasticity

Heteroscedasticity occurs when assumption regression variance diverts in model estimation where the variability of the error terms (residuals) changes at various levels of determinant variables. Alabi et. al., (2020), states the effects of heteroscedasticity include erroneous coefficient estimates and ineffective standard errors. To identify heteroscedasticity, diagnostic tests were performed, and robust standard errors were used where necessary. The Breusch-Pagan test results are reported in Table 4.3.

Table 4.3: Breusch-Pagan

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constant variance

Variables: fitted values of Profitability

chi2(1) = 10.13

Prob > chi2 = 0.0015

Source: Study Data (2025)

Table 4.3 disclosed a chi-square = 10.13 with p = 0.0015, suggesting rejection of the null hypothesis that variance is constant, and this raises the possibility that there is heteroscedasticity

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present in the regression equation for the profitability of insurers quoted at the NSE, Kenya. The suggestion is that the variance in residuals is not constant with the dependent variable's fitted values, and this can lead to standard errors that are biased and t-statistic-based inference that is not reliable in ordinary least squares regression. A study by Semykina and Wooldridge (2013) suggests that robust standard error estimation is a suitable remedy for heteroscedasticity, as it adjusts the standard errors to account for non-constant variance. This approach produces more reliable t-statistics and confidence intervals without altering the estimated coefficients. The study applied robust standard estimation to counter the effect of heteroscedasticity, with the aim of getting a valid statistical inference.

4.2.3 Autocorrelation

Autocorrelation arises at any point where the error terms or disturbances in the equation become correlated with time. This leads to inefficiency and variability in the estimate of the coefficient. Autocorrelation was detected using the Breusch-Godfrey test, results as on table 4.4.

Table 4.4: Breusch-Godfrey

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.694449	Prob. F(2,19)	0.2103
Obs*R-squared	3.935493	Prob. Chi-Square(2)	0.1398

Source; study data (2025)

Table 4.4 demonstrate that the value of F-statistic is 1.694449 (Prob. F (2,19) = 0.2103) and the value of observed R-squared 3.935493 (Prob. Chi-Square (2) = 0.1398), imply null hypothesis hasn’t serial correlation to residual of regression equation for profitability of insurance firms listed cannot be rejected on conventional levels of significance. Both p-values are greater than 0.05, implying that there is no statistically significant evidence up to the second lag based on autocorrelation in the residuals. This also implies that the residuals for the specified model are independently distributed, verifying the reliability of the regression estimate for inference.

4.2.4 Multicollinearity

Existence of high level of correlation among the determinant variables yields to multicollinearity causing unreliable coefficient estimates and challenges in interpreting the unique contribution of the predictor variables. VIF was used as a diagnostic statistic to evaluate the degree of multicollinearity. As elaborated by Gómez et al. (2021), values of VIF above 5 suggest the

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occurrence of multicollinearity, with larger values indicating more serious problems with collinearity. VIF analysis outcomes are in Table 4.5.

Table 4.5: VIF Findings

Variable	VIF	1/VIF
Board independence	4.03	0.248135
Board tenure	2.23	0.447773
Board meetings	1.75	0.572199
Board size	1.66	0.603324
Inflation	1.13	0.881297
Mean VIF	2.16	

Source; study data (2025)

Table 4.5 reveals VIF values are as follows: board independence (4.03), board tenure (2.23), board meetings (1.75), board size (1.66), and inflation (1.13), with a mean VIF value of 2.16. All VIF result values are less than 5 implying no serious multicollinearity amongst the variables. Board independence records the highest value for VIF (4.03), showing a moderate connection with other predictors yet remaining within workable ranges. The related tolerance values (1/VIF) are as follows: 0.248135 to 0.881297, as in Table 4.5, further confirming that the given variables are independent enough. As stated by Gujarati and Porter (2009), VIF values below 5 indicate that multicollinearity does not significantly distort regression estimates, offering good reliability in the coefficient estimate with standard errors in the equation.

4.2.5 Stationarity

The stability in statistical attributes in a time series represents the stationarity, in a time series where the mean variances are constant enhancing suitability for modeling. According to Sam and Nwaogazie (2024), both level and difference stationarity are important, and non-stationary series should be converted into a stationary form for accurate modelling. Table 4.6 results of the Fisher-type test examining the suitability selected model.

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Table 4.6: Fisher-Type

Variable	Statistic	P-value	Comment
Profitability	69.7477	0.0000	Stationary
Board Size	71.4588	0.0031	Stationary
Board Independence	61.5211	0.0045	Stationary
Board Meeting	23.3492	0.0249	Stationary
Board Tenure	126.2888	0.0000	Stationary
Inflation	91.7598	0.0254	Stationary

Source: Study Data (2025)

As per Table 4.6, all the variables, profitability, board size, board independence, board meetings, board tenure, and inflation, have p-values below 0.05, indicating rejection of the unit root test hence variables are stationary with no trends observed. Hence, it can be used in regression analysis without requiring differentiation or other transformations. The stationarity of the panel data model, as stressed above by Wooldridge (2013), is necessary to ensure stable and unbiased estimations and thus the credibility of the further econometric analysis that was performed in this study.

4.2.6 Model Specification

According to Biørn (2017), it is essential to ensure that the specifics of the panel data model are properly specified, with a proper choice of random-effect and fixed-effect depending peculiarities of data and the research question. The Hausman test results used to select the estimation model are portrayed in Table 4.7.

Table 4.7: Hausman Test

	(b) Fixed	(B) Random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
Board Size	.0195213	.0160971	.0034241	.017244
Board Independence	.0045563	.0173982	-.012842	.0263261

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Board meetings	-.0359366	-.0333537	-.0025828	.00598
Board tenure	-.0062449	-.0031394	-.0031055	.0108979
Chi2(3)	0.44			
Prob>chi2	0.9794			

Source: Study Data (2025)

The chi-square 0.44, with a p-value of 0.9794, was recorded accordingly, observation of null hypothesis with random-effects model's consistency and efficiency is not rejected. This implies that the current analysis can be conducted using the random-effects model, as the distinctions between estimates of random and fixed effects coefficients not statistically significant. According to Greene (2012), a non-significant Hausman test indicates the presence of random effects, which account for both within- and between-unit variation and thus improve the effectiveness of panel data estimates.

4.3 Correlation Analysis

Table 4.8. shows correlation results relating board characteristics to the profitability of listed Kenyan insurance firms.

Table 4.8: Correlation Results

	Profitability	Board-size	Board-independence	Board-meetings	Board-tenure	Inflation
Profitability	1.0000					
Board size	-0.0198	1.0000				
Board independence	0.1969	0.2989*	1.0000			
Board meetings	-0.0893	0.4953*	0.4739*	1.0000		
Board tenure	-0.0056	0.0564	-0.5362*	-0.2327	1.0000	
Inflation	0.4834*	0.0066	0.0075	0.1263	-0.1319	1.0000

Source: Study Data (2025)

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As indicated, correlation of board size with profitability is negative (-0.0198), which means that larger board sizes ensure lower profitability. But the coefficient is very close to zero, indicating a weak association and insignificant linkage. The findings are consistent with Zelalem et al (2022); Mensah et al (2024); and Awad et al. (2024), who all demonstrated that board size insignificantly correlates with firm performance. The correlation between board independence and profitability is positive (0.1969), which means that increased board independence is related to increased profitability, showing a direct relationship. The value informs us that this is a weak association that is not statistically significant. The results agree with Kufo and Shtembari (2023), Alotaibi and Al-Dubai (2024), and Yahaya (2025), who revealed the non-significance of board independence on firms' profitability.

The data in Table 4.8 portrays that the association of profitability with board meetings is negative (-0.0893), meaning that more frequent board meetings corresponds to a lower degree of profitability. A relatively small value of the coefficient implies that there is a weak association and not significant. The results disagree with the findings from Haque et al. (2025); Eltamboly (2025); Kieti and Aluoch (2024) who found significant connection between board meetings with firms' profitability. The association between board tenure and profitability is negative (-0.0056), such that higher board tenure is linked with less profitability. The value is very near zero, which means that the association is not significant and weak. The findings corroborated with the findings of Livnat et al. (2021); and Ardianto et al (2024) who established that board tenure negatively correlate with the performance of firms.

Lastly, correlation between profitability and inflation is positive (0.4834). The positive sign indicates a direct relationship with increased inflation that is related to increased profitability. The scale depicts a moderate to substantial association, indicating that inflation is significantly impacting profitability. The outcome concurs with Mukaria and Aluoch (2025) and Doan (2020), who revealed that inflation has a significant connection with firms' profitability.

4.4 Regression Results

Multiple association of the board attributes as determinant factor and listed insurance firms' profitability was assessed using regression analysis.

4.4.1 Direct Effect Results

The analytical report findings particularly direct effect on board attributes and profitability of listed insurers. Outcomes also provide specific effects of the explanatory variables used in the current research, thus showing the direct influence of nomenclatures of profitability that shows the direct-effect estimate results.

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Table 4.9: Direct Effect Results

Profitability	Coef.	Robust Std. Err.	T	P>t	[95% Conf.	Interval]
Board Size	.0160971	.0336033	0.48	0.632	-.049764	.0819583
Board Independence	.0173982	.0347461	0.50	0.617	-.0507028	.0854992
Board meetings	-.0333537	.0137527	-2.43	0.015	-.0603084	-.006399
Board tenure	-.0031394	.033079	-0.09	0.924	-.067973	.0616942
_cons	.0168181	.5357962	0.03	0.975	-1.033323	1.066959
Wald chi2 (4)	8.24					
Prob > chi2	0.0831					
R-Square	0.3417					

Source: Study Data (2025)

In Table 4.9, the constant term is 0.0168. When all board variables are set to zero, the model's expected profitability is represented by this value. However, in this case, the intercept has no relevant economic significance because these board properties cannot practically assume the value zero. Since the significance of the intercept is typically not of substantial relevance in regression analysis, the constant's statistical insignificance ($p = 0.975$) has no bearing on the model's explanatory power or the interpretation of the other coefficients. The value of R-squared is 0.3417, which means that the regression model variable, which is the board characteristics explains about 34.17 per cent variance of the profitability of the listed insurance firms. Also, the p-value of 0.0831 and the Wald chi-square statistic of 8.24 is somewhat close to the traditional statistical significance of 0.05 but not significant enough to reject the null hypothesis that the model as a whole would help explain the impact of board attributes on the profitability of insurance companies listed in Kenya.

Table 4.9 findings suggest that the size of the board has a positive and statistically non-significant impact, which has a coefficient of 0.0160971 ($p = 0.632$) on the profitability of the listed insurance companies. The findings imply that a one unit change in board size is linked to a relatively insignificant increment of about 0.016 units in profitability, even though the correlation is not statistically significant. The muted connection might be due to the fact that

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although the larger boards may create greater diversity of views and control, they may also create matters of coordination and the decision-making effectiveness in the Kenyan insurance environment, where regulatory and market forces require nimble governance. The findings are different from those of Tajuddin et al. (2024), who discovered that board size had a negative and significant impact on the performance of Saudi firms in a more expansive triple-bottom-line setting. Zelalem et al. (2022) observed that board size positively and significantly influenced the performance of Ethiopian insurance firms in terms of ROA and ROE. This could be clarified by Kenya's insurance industry, where companies have to deal with strict IRA regulations and competition, oversized boards may experience a greater administrative cost with no empirical benefit in terms of strategic insight, thus making the impact negligible over the period in question.

As highlighted in Table 4.9, the implication of the independence of the board is discovered to be positive but statistically non-significant with a coefficient of 0.0173982 (p=0.617) on profitability. This result shows that a one-unit increase in board independence is associated with a modest rise of approximately 0.017 units in profitability. This implies that even though independent directors are thought to provide impartial oversight and lessen agency issues, in Kenya's insurance market, they may only have a moderating effect due to current managerial practices or lax enforcement of governance codes, which could offset their benefits in the form of increased scrutiny. The results are consistent with Alotaibi and Abdulwadod Al decimal-Dubai (2024) found no significant moderating effects of board independence in the connection between ESG performance and profitability in Saudi non-financial firms, indicating similar ambiguity in the loss markets, but contrary to Yahaya (2025), who found positive and significant effects of board independence on the ROA of listed firms in Nigeria, and Kufo and Shtembari (2023) who found a positive relationship in the insurance-related firms in Albania and board independence. In NSE-listed insurance companies, independent directors' limited access to information and influence on entrenched managers may explain their insignificant impact on profitability.

The finding as to board meetings has shown a negative and statistically significant influence with a coefficient of -0.0333537 (p=0.015) on profitability shown in Table 4.9. This indicates that when the regularity of board meetings is increased by one unit, the profitability reduces by about 0.033 units, which shows the presence of a statistically strong inverse relationship. Even though regular meetings would appear to promote active supervision and prompt strategic planning, they may incur high opportunity costs in the Kenyan insurance industry, including wastage of time on other activities other than concentrating on operations, or increasing burden on administration, which might end up reducing the short-term financial performance. These findings are inconsistent with that of Tripathi and Raj (2025), who found the positive correlation of board

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meetings with performance in Indian hotels but in a non-insurance setting, and are more in line with the negative implications that may be implied in Eltamboly (2025) of the situation in MENA banks, where frequent convening by insurance boards might reflect measurement of crises rather than the creation of value. The case of Kenya, where the insurance companies are driven to operate under challenging claims conditions and changing regulations, implies that they will face increased costs without a commensurate reduction in risks; hence, this is detrimental to profitability.

As in Table 4.9 the tenure of the board of directors has been observed to affect profitability negatively with a coefficient of -0.0031394, and an insignificant p-value (0.924). A one-unit increase in average board tenure results in an insignificant 0.003-unit decline in profitability. Therefore, long-term director tenure, even though it can create institutional knowledge, can lead to entrenchment or inflexibility to change, hence subtly obstructing flexibility in a dynamic market; however, the impact is too insignificant to warrant a solid conclusion. This result can be associated with the possibility of complacency among long-term boards in the Kenyan insurance industry where the speed of technological and regulatory changes requires new visions. These results make sense and are similar to Ganivy and Setiany (2024), who discovered no such significant relationship between the board tenure and earnings management in the Indonesian consumer companies, and Ardianto et al. (2024), who found the U-shaped non-linearity together with sustainability performance; these are different to Varouchas et al. (2024), who found positive effects of board tenure on the performance of the U.S. banks, and Livnat et al. (2021), who found longer tenures linked to increased market valuations. Such inconsistencies indicate that within the new environment in Kenya, the advantages of tenure can be counterbalanced by the dangers of stagnation, making the association irrelevant. In the face of industry-specific problems including investment volatility and claim inflation, the results likely show the relative stability between experience and inertia among the boards of NSE-listed insurance businesses, where long-serving boards may not translate into higher profitability.

4.4.2 Step One Moderation Effect

The first process in implementing a moderation analysis is to include an interaction term between the moderator (inflation) and the independent variable (board characteristics) into the regression analysis. The specified interaction term is a synthesis of the two factors on the profitability of insurance companies, hence making it easier to identify moderation. According to Memon et al. (2019), the procedure requires constructing an interaction term derived from the product of the independent variable and the moderating factor. An interaction term is created by multiplying two variables to assess their combined effect. This interaction term added to the regression model, later analyses, including the interpretation of coefficients and the test of significance of the findings, can be undertaken to better understand how the moderating factor influences the

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link between board characteristics and profitability. Table 4.10 thus represents the outcome of the first stage of moderation analysis.

Table 4.10: Moderation Analysis: Step One Findings

Profitability	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Board structure	.0047615	.0277558	0.17	0.864	-.0496389	.0591619
Inflation	.010128	.0035318	2.87	0.004	.0032059	.0170502
_cons	-1.278942	.511616	-2.50	0.012	-2.281691	-.2761925
R-Square	0.2345					
Wald chi2(2)	8.27					
Prob> chi2	0.0160					

Source: Study Data (2025)

Integration of the moderating factor as depicted in Table 4.10 makes the intercept to indicate the level of default profitability in the conditions that both the board structure and the inflation are zero. Both the intercept and the value are negative (-1.278942), which is statistically significant ($p = 0.012$), meaning that the profitability of Nairobi Securities Exchange listed insurance companies, in the absence of board structure and inflation effects, is significantly below zero. It implies that the firms would have a significant shortage in the profitability in the absence of these factors, and the governance and economic environment is critical. The R-square value is 0.2345 which implies that the model is able to explain a relatively low percentage of 23.45 percent of the variation in profitability which is relatively low in comparison with the model that includes other variables. The outcome of the moderation, with Wald chi -square = 8.27 and a significant p -value of =0.0160, supports the overall statistical significance of the model, which indicates that inflation and board structure as a combination of the two, are important in explaining the differences in profits in the Kenyan insurance industry.

Board structure has a positive coefficient (0.0047615) (In Table 4.10), which is statistically insignificant ($p = 0.864$), and board structure is a composite of factors, in this case, the size of boards, independence, meetings, and tenure, which do not have a significant direct influence on the profitability of listed insurance companies. This implies that although board characteristics can play a small role in strategic control, it does not have a significant effect on profitability in the Kenyan insurance environment, which might be explained by a set of industry-specific factors, such as cost of compliance with regulatory requirements, or volatility of the market that

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masks its impact on governance. The inflation coefficient is positive (0.010128) and statistically significant (p = 0.004), which implies that the profitability increases by about 0.010 units as a unit of inflation increases. This effect is, and supports the idea that insurance companies can modify their premium or investment policies in order to exploit inflationary conditions, which Doan (2020) pointed to as the positive feedbacks with inflation affecting the performance of Vietnamese firms, albeit not in line with Tsvetkova et al. (2021), which found that inflation had a negative impact on the ROA of Russian insurers, and hence the distinct economic factors of Kenya, where inflation might contribute positively to nominal returns.

4.4.3 Step Two Moderation Effect

The other step in moderation analysis, according to Robinson, Tomek and Schumacker (2013), is to add the interaction term, a combination of the independent and moderating variables within the regression model. This interactive variable shows how these two factors act together on the explained variable and allows one to determine the moderation. The model incorporates an interaction term to capture the joint influence of the predictor variables and the moderating variable on the outcome variable. According to Johnson and Smith (2018), the inclusion of an interaction term allows for a detailed examination of how a moderator affects the link between the explanatory and outcome variables. It is also applied to test the conditional factors on strengthening or weakening the relationship, and hence is useful in displaying any effects of the regresses that do not depend on one another. Table 4.11 displays the study findings.

Table 4.11: Moderation Analysis: Step Two Findings

Profitability	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Board Structure	.0811371	.3206384	0.25	0.800	-.5473026	.7095768
Inflation	.0143249	.0178079	0.80	0.421	-.020578	.0492278
Board characteristics*Inflation	-.0006206	.002573	-0.24	0.809	-.0056636	.0044224
_cons	-1.797002	2.233309	-0.80	0.421	-6.174206	2.580203
R-Square	0.2359					
Wald chi2(3)	8.14					
Prob> chi2	0.0432					

Source: Study Data (2025)

As presented in Table 4.11, the constant term carries a coefficient of -1.797002, suggesting a negative intercept effect on the profitability of NSE-listed insurance firms. This coefficient is

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deemed statistically insignificant (p-value = 0.421), suggesting that insurance firms in Kenya, even in the absence of board structure or inflationary influences, do not exhibit a statistically significant baseline level of profitability attributable to these variables when considered in isolation. The R-squared of 0.2359 further indicates that the factors incorporated within the model can account for 23.59 percent of the changes in the profitability among listed insurance companies. The model's explanatory power mirrors the Step One results, where the interaction term had little effect on overall explanation. Assessment of the model's performance yields a Wald chi-square statistic of 8.14. With a p-value of 0.0432, the results confirm that, taken together, the factors exert a statistically significant effect on the profitability of listed NSE insurance firms.

The outcome in Table 4.11 showed that board structure positively impacts profitability with a value of 0.0811371. On closer scrutiny, however, the association is not significant (p-value = 0.800), consequently not reaching conventional standards of statistical robustness. This would imply that board structure is possibly favourable for the profitability of insurance companies, but there is not sufficient evidence to justify the level of significance in this specification of a model. Furthermore, in Table 4.11, the positive association between inflation and profitability is determined by analysis to be statistically not significant, with a value of 0.0143249 for the coefficient (p-value = 0.421). This result implies that inflationary forces do not have a discernible independent impact on profitability in this situation, possibly due to compensatory premium payments that negate cost effects, just as witnessed in the Step One moderation outcome. Delving into the interaction term between board structure and inflation, we discover that the value of the coefficient is negative with a value of -0.0006206 in terms of profitability. But this value is not significant statistically (p-value = 0.809). This indicates that inflation does not significantly moderate the relationship between board structure and the profitability of listed insurance firms in Kenya. Consequently, there is no presence of a statistically significant impact between board structure and enhanced profitability (outcome of an independent role on profitability), and also between inflation and enhanced profitability (outcome of an independent role on profitability), but with both effects not combined together. These findings are in line with the evidence by Ritho (2024), which concluded that inflation exerted no significant moderating effect on the association between firm characteristics and financial health in Kenyan insurers, indicating a trivial conditional effect. Additionally, Tsvetkova et al. (2021) established a negative direct relationship between inflation and return on assets (ROA) for Russian insurers, revealing a non-significant moderation by governance-related variables, which agrees with the insignificancy of the interaction variable. Additionally, Nugraheni & Muhammad (2020) argue that firms that invest in process automation and digital solutions often achieve significant cost savings, offsetting high fixed costs. This is especially relevant for Takaful insurers, who can use technology to streamline back-office functions, reduce paper-based processes, and cut servicing

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costs. Effective cost management also extends to partner and supplier relationships. Nguyo & Anene (2024) noted that firms that negotiate favourable terms with service providers and optimize supply chains often enjoy improved bottom-line results. Conversely, studies such as Mukaria and Aluoch (2025) reported a positive association between inflation and profitability with the presence of corporate governance among Kenyan manufacturing entities, indicating a significant moderating effect. Similarly, Doan (2020) reported that inflation enhances firm performance where the latter is defined as a control variable in Vietnamese non-financial firms, indicating a distinct interaction form where the governance structures' marginal effect evolves in a systematic way with changing states of inflation, thereby indicating a significant interaction moderation.

4.5 Hypothesis Testing

In order to address specific research issues, the research involved analysing the theories. The results are described as follows:

4.5.1 Results of Hypothesis One Testing

The study's objective was to test the hypothesis that board size has no appreciable impact on the profitability of Kenyan insurance companies listed on the NSE. With a coefficient of 0.0160971 ($p = 0.632$), the regression analysis results show that the size of the board has a positive and statistically non-significant effect on the profitability of the listed insurance businesses. This indicates that even if the link is not statistically significant, a one-unit change in the board's size is associated with a relatively modest increase in profitability of roughly 0.016 units. The muted connection may result from the fact that, while larger boards may increase control and diversity of opinion, they may also cause issues with coordination and the efficacy of decision-making in Kenya's insurance environment, where market and regulatory forces demand quick governance.

4.5.2 Results of Hypothesis Two Testing

The study tested the hypothesis that board independence does not significantly impact NSE-listed insurance firms. With a coefficient of 0.0173982 ($p=0.617$) regression analysis results, the impact of the board's independence on profitability is determined to be positive but statistically non-significant. This study indicates that a one-unit increase in board independence results in a modest boost in profitability of about 0.017 units; however, the link is not statistically significant. The discoveries are in line with those of Alotaibi and Abdulwadod Al Decimal-Dubai (2024), who discovered that board independence had no discernible moderating impact on the relationship between ESG performance and profitability in Saudi non-financial companies.

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4.5.3 Results of Hypothesis Three Testing

Board meetings have been found to have a statistically significant negative impact on profitability, with a coefficient of -0.0333537 (p=0.015). This demonstrates the existence of a statistically significant inverse link since profitability decreases by roughly 0.033 units for every unit increase in board meeting frequency. This result is consistent with the detrimental effects suggested by Eltamboly (2025) regarding the state of MENA banks, where frequent meetings by insurance boards may indicate the management of crises rather than the development of value.

4.5.4 Results of Hypothesis Four Testing

In testing the hypothesis that the board tenure has no significant effect on the profitability of insurance firms in Kenya, the profitability was found to be negatively impacted by the board of directors' term, with a regression analysis coefficient of -0.0031394 and a negligible p-value of 0.924. Results indicate that a one-unit rise in the average term of the board is only slightly, but not significantly, associated with a 0.003-unit drop in profitability. Long-term director tenure may result in entrenchment or a lack of adaptability to change, thereby subtly impeding flexibility in a dynamic market, even while it can produce institutional expertise.

4.5.5 Results of Hypothesis Five Testing

The study aimed to test the hypothesis that inflation does not moderate the relationship between board characteristics and the profitability of listed insurance firms. The analysis found that the regression coefficient has a negative value of -0.0006206. However, statistically speaking, this result is not significant (p-value = 0.809). This suggests that the link between board composition and the profitability of the listed Kenyan insurance company is not altered by inflation. As a result, there is no statistically significant relationship between improved profitability and board structure.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Firm profitability relates to how efficiently a business enterprise uses the available resources to achieve set goals in a manner that is efficient, profitable, scalable, and adjustable to the business and environmental changes (Polycarp et al., 2023). Firm performance is reviewed over a period based on the attributable financial outcomes that are assessed by comparing one entity to another in the same sector, such as insurance, banking, telecommunication, or manufacturing. Various measures are used to assess financial performance of a firm which includes solvency, liquidity, profitability and operational efficiency. Thus, a firm's financial performance shows how well or

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otherwise an organization handles its funds and meets its financial and non-financial objectives. Firm performance is understood as the ability of an organization to generate adequate revenue to maintain and develop itself and manage its time costs effectively (National Treasury and Planning of Kenya, 2021).

The study main objective-based studies, included board aspects like size, independence, meetings, tenure and moderated with inflation. The aspects provided strong explanatory that matched the profitability. The study intended to analyse the effect that the board size had on the profitability of Kenya-listed insurers. The data showed that the positive ranking between the size of the board and the degree of profitability was not significant. This is to report that larger boards can provide a diversified skill set. Yet, they do not significantly make insurers become more profitable, possibly due to coordination inefficiencies or higher administration costs. The board size bears no significant association with short-run insurers' profitability in the Kenyan context.

The investigation mapped board independence against the profitability of public-listed insurers in Kenya. The investigation recorded a small positive influence, implying that financial performance is not significantly influenced by board independence. This asserts that even independent directors do not influence improving financial performance despite their potential to increase oversight and accountability. Their influence is still limited, perhaps due to entrenched managerial behaviour or cultural tendencies in support of relational governance. Furthermore, the board's independence is not effectively able to promote short-term financial performance within the Kenyan insurers' sphere.

The survey was conducted to examine how the frequency of the board meeting affects the financial viability of the insurance companies listed in Kenya. The results revealed that there was a strong negative correlation, which implies that frequent board meetings reduce financial sustainability. This implies that though meetings aim at enhancing control, they can have opportunity costs or denote reactive control, taking away resources that can be committed to activities that are key for operations. The findings conclude that frequent board meetings are harmful to short-run financial outcomes in Kenya's insurance companies.

The study also tested whether board tenure is related to profitability. The result showed a minimal negative correlation that was not statistically significant, indicating that long board tenures do not significantly affect profitability. Despite long tenures enhancing institutional experience, they can concurrently encourage entrenchment or discourage innovation with no substantial financial impacts. This is an indication that board tenure has no substantial impact on short-term profitability in the Kenyan insurance industry environment.

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The study tested the moderating role of inflation in board characteristics and their association with profitability. The evidence was that inflation did not exert a meaningful influence on moderating this association. The results conclude that, although inflation can affect attitudes toward the conduct of business, its interaction with board attributes does not significantly change outcomes to a level of profitability. The result shows that the effect of board characteristics on profitability is significantly independent of inflation forces in the Kenyan insurance markets.

5.2 Recommendations

Based on the results obtained from the survey, a series of recommendations was formulated to correspond with these findings. These suggestions are specifically designed to tackle the particular implications and insights identified through the survey. The research advocates that, to improve profitability in light of the marginal positive impact of board size, Nairobi Securities Exchange-listed insurance companies perform a biennial evaluation of board composition. This audit should limit membership to 9-11 directors, balancing expertise diversity and decision-making efficiency to cut coordination costs and improve strategic oversight.

Despite recognizing the relatively small positive impact board independence has had on profits, firms will compel independent directors to undergo annual governance training with a focus on industry-specialized regulatory compliance and risk detection that will increase their non-partisan contributions without necessarily altering board configurations.

To address the substantial adverse impact of regular board meetings on profitability, insurers must cap boards' regular conferences at a maximum of six times a year and support them with quarterly web-based briefings in an effort to decrease paperwork burdens and channel executive time towards efficiencies in operations and money-making activities.

To mitigate the relatively small negative impact of board tenure on profitability, firms should implement a staggered rotation policy requiring the resignation of a third of the directors at three-year intervals. This mechanism would encourage a trade-off between institutional experience and new perspectives, thereby minimizing potential entrenchment risks.

Since there is little moderating influence exerted by inflation on the board characteristics-profitability association, insurers have to integrate inflation-hedging provisions within long-term strategies, e.g., portable premium indexing, regardless of board governance changes, in an attempt to hedge financial results against economic fluctuations.

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