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FINANCE

DO MEASURES OF NON-FINANCIAL PERFORMANCE MATTER? AN EMPIRICAL INVESTIGATION OF BOARD CHARACTERISTICS AND NON-FINANCIAL PERFORMANCE OF INSURANCE COMPANIES IN UGANDA

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ABSTRACT

Purpose of the study: The study aimed at determining the influence of board characteristics on non-financial performance of Insurance companies in Uganda. Board characteristics included: director ownership, gender diversity, education qualifications, age diversity, board size, and board tenure. Non-financial performance included; Internal business processes, customer focus, organisational learning and growth, corporate social responsibility and environmental impact. There is an inconclusive discussion on weather board characteristics influence non-financial performance as many scholars reviewed focus on the conservative financial performance measures. This study sought to determine the influence of board characteristics on non-financial performance of Insurance companies in Uganda.
Research methodology: The study was positivistic and used a cross-sectional descriptive survey. The study employed a census on 131 insurance companies with effective sample of 108 respondents. The hypothesis was set and tested as there is no statistically significant influence of board characteristics

on the non-financial performance of Insurance companies in Uganda using simple linear regression analysis.

Results of the study: The findings from the five sub-hypotheses indicate: Director ownership was found to be negatively and statistically significant with internal business processes. Gender diversity was found to be positively statistically significant with learning and growth, customer focus and corporate social responsiveness. Education qualifications were found positively and statistically significant with corporate social responsiveness and environmental impact. Board tenure was also found positively and statistically significant with customer focus. Then age diversity was found negatively and statistically significant with customer focus.

Conclusion and policy recommendation: In conclusion the findings of the study indicate board characteristics was found to have a positively statistically significant influence on non-financial performance. The study recommended policy interventions: a mandatory board quarter of a minimum of 45% female representation on the board, on age a minimum of 55% of the board should be less than 45 years, a board tenure of three years, and two terms, education level minimum bachelors 30%, masters 40% and Ph.D. 30% and director ownership should be less than 10% of the board. Based on the sub- hypotheses the study further provided evidence of five board characteristics dimensions of gender, age, education, board tenure, and director ownership as the most influential in the study on non-financial performance as they were statistically significant.

Keywords: *Board Characteristics, Insurance, Non-Financial Performance, Gender diversity, Age Diversity*

INTRODUCTION

Virtually every business manager acknowledges the fact that relying solely on financial information is inadequate for making managerial decisions (Low & Siesfeld, 1998). Presently, widely employed approaches such as "sustainable balanced scorecards" (SBSC) and other non-financial performance measurement systems provide a timelier and precise depiction of operational well-being (Hubbard, 2009). Financial outcomes are essentially retrospective measures that offer a post-mortem analysis, providing a binary assessment of survival or failure (San & Teh, 2009). On the other hand, non-financial metrics, such as employee expertise, customer retention rates, product quality, and distribution channel strength, look ahead to the future Stivers et al. (1998). These measures act as predictive indicators of success, leveraging an understanding of the business's revenue model. As cited in Low and Siesfeld (1998) reported Surprising revelations by Ernst & Young Center for Business Innovation's study had discovered that non-financial performance information exerts a notable influence on the investment decisions of major investors. According to Said et al. (2003) in respect performance measurement, it is also presumed that incorporating non-financial measures into measurement systems enables managers to enhance their comprehension of the connections between different strategic objectives. This integration further facilitates the communication of the link between employees' actions and strategic goals, as well as the allocation of resources and establishment of priorities based on those objectives (Kaplan & Norton, 1996). Therefore, do these non-financial performance measures matter in the insurance sector in Uganda.

Forecasting organizational performance is of primary concern in strategic management research and practice (Ombaka et al., 2017; Kasera, 2017; Lumumba, 2019; Taouab & Issor, 2019; Golubeva, 2021). Fernandez-Temprano and Tejerina-Gaite (2020) explain the performance of an organization as a multidimensional concept, which encompasses various theoretical and empirical components that may or may not have interdependencies. As organizations strive to grow and survive, performance improvement becomes an important factor (Kakanda et al., 2016; Jaleha & Machuki, 2018). The focus of organizational leadership is to perform better than their rivals (Lefort et al., 2015; Bwire, 2018). Hence organizations are being extremely careful about their performance levels at all times.

Performance measures have been guided by Sustainable Balanced Scorecard (SBSC) and annual report (IRA, 2020). This is further justified by the strategic orientation on growth mainly through acquisitions and mergers, and low penetration levels as reported by New Vision (2020, March 17). Only two insurance companies are listed on the Uganda stock exchange (USE, 2019). This study seeks to widen the floodgates of scientific research especially on non-financial performance of Insurance companies in Uganda. The board characteristics need to be further investigated to ascertain they influence the non-financial performance of insurance companies in Uganda. Said et al. (2003) asserts that of greater significance is the fact that the relationship between firm performance and non-financial measures depends on whether the utilization of nonfinancial measures aligns with the specific characteristics of the firm. The primary justification put forth to support the adoption of non-financial measures for performance evaluation has been their role as leading indicators of financial performance (Kaplan and Norton, 1992).

There are divergent arguments on which variables register a stronger influence on organizational performance. Board characteristics have been featured in the arguments as being the variables with such influence. Strategic management literature has predicted a link between board characteristics and organizational performance (Atty et al., 2018; Vieira, 2018; Pucheta & Gallego, 2020; Sobhan, 2021; Kanakriyah, 2021; Bw'auma, 2021; Aernan et al., 2023; Andoh et al., 2023). Other scholars argue that board characteristics does not influence organisational performance (Borlea et al., 2017; Ghazali et al., 2022). It has also been predicted that board characteristics cannot be solely responsible for organizational performance unless it's a combination with other variables (Escriba et al., 2009; Addulrahim et al., 2020; Shwairef et al., 2021). Escriba et al. (2009) affirm that board characteristics shape decision-making, processes, practices, and overall organizational behavior. Hence the debate on board characteristics and performance is contradictory, fragmented, and ongoing without consensus among strategic management researchers. This warranted the focus on non-financial performance to ascertain its contribution to the general performance of the insurance companies in Uganda.

The conceptualization of this study was anchored on Agency theory (Jensen & Meckling, 1976), and Stewardship (Davis et al., 1997) theories. Agency theory postulates the principal–agent relationship. It further posits that board characteristics should consist of outside and independent directors and separation of Chairman and CEO roles for better organizational performance (Balta, 2008). Stewardship theory predicts that directors act as stewards and are motivated to act in the best interests of the principals as they seek to attain the objectives of the organization. This, therefore, matches the upper echelons' characteristics to strategic orientation and external environment.

Insurance companies in Uganda operate in the financial services sector which comprises both private and public companies. Insurance companies in Uganda are licensed and regulated by the IRA of Uganda. However, different companies whether private or public are characterized by unique board characteristics namely gender, age, and board tenure among others (UIA, 2018). While some insurance companies have been performing excellently, others have been facing difficulties leading to operational failure, leading to closure, acquisitions, and mergers (IRA, 2018). Uganda insurance companies have faced a range of challenges like fraud accounting, struggling insurance penetration levels, low levels of Insurance uptake stagnant Insurance per capita, (KPMG, 2019). Performance reporting of some companies has been queried by the regulator not complying with sustainable reporting (IRA, 2020). The reason for the study question do Measures of Non-Financial Performance Matter? And the need to conduct empirical investigation of board characteristics and non-financial performance of insurance companies in Uganda.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Most of the conceptual and empirical postulations Atty et al., (2018); Pucheta & Gallego, (2020); Kanakriyah, (2021); Boateng, (2021); Bw'auma, (2021); Di Biase & Onorato, (2021); Andoh et al., (2023) predict that characteristics of the board and board members significantly influence non-financial and financial performance of firms. Corporate dynamics of the 21st century necessitates an assessment of board characteristics as corporations are confronted with many questions against limited answers. Board characteristics have become prominent among governance organizational elements that explain firm behavior and conduct which are central to success (Deshani et al., 2021; Disli et al., 2022; Jayasundara, & Buddhika, 2022).

Additionally, Abdulsamad et al. (2018) findings on the influence of board characteristics and firm performance in Malaysia listed companies contradicted with all the assumptions of agency theory. Board meetings showed weak and negative influence on performance. Board independence predicted weak and positive influence on return on assets. CEO duality predicted significant negative influence. However, it should be noted that the study used secondary data only with a purposive sample of 341 companies. The study was also exclusive of financial services providers. The panel data regression model was used to analyze. If the assumptions of agency theory are contradicted, it could have several implications for how we understand the relationship between principals and agents in organizations. Including re-evaluating the role of trust, re-thinking incentive structures, shifting the focus to relational contracting rethinking the role of monitoring. Overall, contradicting the assumptions of agency theory could lead to a re-evaluation of the mechanisms that govern the principal-agent relationship, and could provide new insights into how organizations can be managed effectively.

Lumumba (2019) conceptualized and studied performance using the sustainable balanced scorecard and focused on non-financial performance and financial. Furthermore, the results of non-financial performance dimensions predicted a statistically strong positive association. This supports the study conceptualization focusing on and separating financial performance from non-financial performance while conducting performance studies. Secondly, each of the individual dimensions of non-financial performance was tested against board characteristics in the form of sub-hypotheses to feed into the main hypotheses. The main aim is to ascertain which individual board characteristics dimension influences each non-financial performance dimension.

Bwire (2018) in the study of performance of state corporations in Kenya conceptualized and studied performance using the sustainable balanced scorecard and focused on non-financial performance measures of internal businesses processes, customer focus, organisational learning and growth, corporate social responsibility and physical environment. The results of non-financial performance dimensions predicted a statistically significant strong positive influence. This supports the study conceptualization focusing on non-financial performance measures while conducting board characteristics and non-financial performance of Insurance companies in Uganda. Secondly, each of the individual dimensions of non-financial performance was tested against board characteristics in the form of sub-hypotheses to feed into the main hypotheses. The main aim was to ascertain which individual board characteristics dimension influences each non-financial performance dimension as well. Bwire (2018) further in this research conducted a cross-sectional survey using a semi-structured instrument to gather data. A total of 117 Kenyan State Corporations were sampled, with 98 questionnaires filled and returned, resulting in a response rate of 83.76 percent. The study was based on upper echelons theory. The board characteristics and non-financial performance study was conducted on insurance companies of Uganda using a descriptive cross-sectional survey on a census of 113 companies.

The primary justification for incorporating non-financial measures in such contexts is that they serve as leading indicators, enabling a higher level of performance management compared to solely relying on current financial measures. This argument is supported by various studies, including Neely and Al Najjar (2006), Niven (2002), and Truss (2001). Furthermore, multiple studies indicate that non-financial measures can effectively act as leading indicators for future financial performance, as demonstrated by Ittner and Larcker (1998), Nagar and Rajan (2005), and Roth and Jackson (1995). Based on the objective of the study: to determine the influence of board characteristics on non-financial performance of Insurance companies in Uganda. Therefore, it can be hypothesized that board characteristics have an impact on non-financial performance of Insurance companies in Uganda. Thus from the literature reviewed this study is hypothesized as **H_{01}:** ***There is no statistically significant influence of board characteristics on the non-financial performance of Insurance companies in Uganda.***

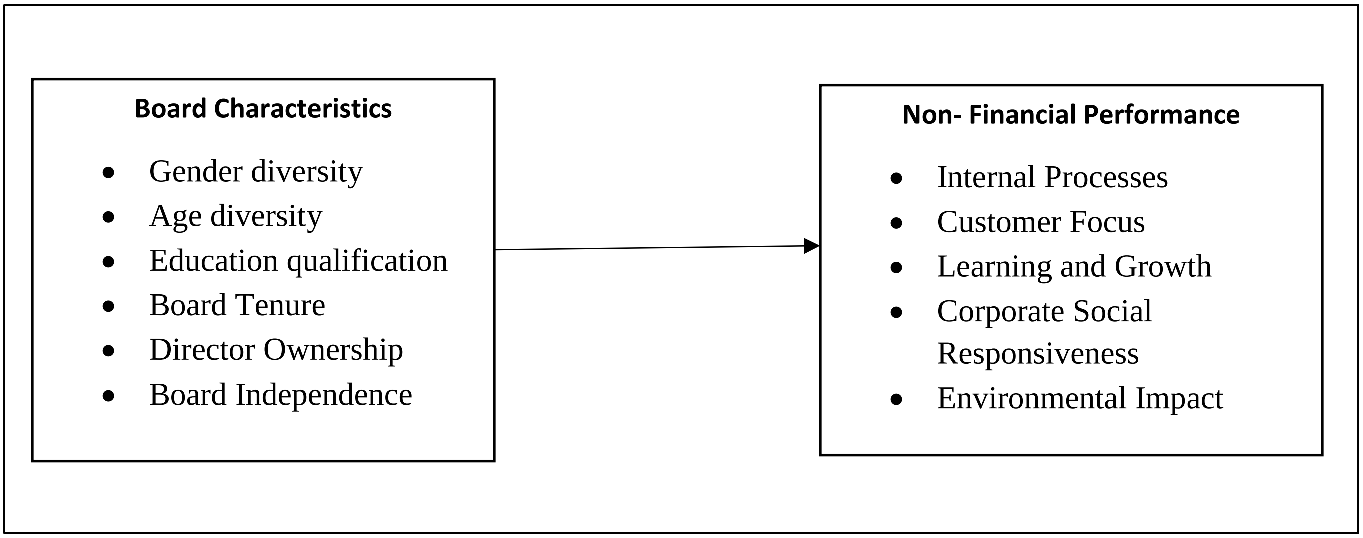

Figure 1: Conceptual framework Adopted by the researcher

Figure 1, shows the conceptualisation of board characteristics, Hubbard (2009) conceptualization of performance using sustainable balanced scorecard

METHODOLOGY

The study embraced the positivist paradigm and utilized a cross-sectional research design, employing quantitative data. The survey encompassed a population of 131 companies, which fell under the regulation of the insurance regulatory authority of Uganda. These companies belonged to various categories such as life, non-life, health membership organizations, Bancassurance, re-insurance, and insurance loss assessors, adjusters & surveyor's companies. The effective sample consisted of 108 respondents, specifically chairpersons of boards and company secretaries, as they held crucial information about the board and were responsible for setting the board agenda. Mugenda and Mugenda (2013) recommend conducting a census when the population is below 200, and in this case, a census was feasible due to the small and manageable population (Saunders et al., 2007).

The research instrument demonstrated high reliability with a Cronbach's alpha coefficient of 0.970, indicating excellent reliability. Moreover, all coefficients surpassed the recommended 0.7 cut-off point for the reliability test, as suggested by Creswell and Clark (2017). Additionally, all variables exhibited a KMO index above the threshold of 0.5, confirming their suitability for analysis. Bartlett's test of Sphericity yielded a p-value of 0.000, validating the data's validity at an acceptable level of significance. These findings establish a significant relationship among the variables and provide a robust basis for further statistical analyses, including regression analysis on all items of the research instrument.

FINDINGS

The objective of this study, aimed at examining the impact of board characteristics the non-financial performance of insurance companies in Uganda, the hypothesis **H_{01}** was formulated as follows: There is no statistically significant influence of board characteristics on the non-financial performance of insurance companies in Uganda. The dimensions of non-financial performance included internal business processes, customer focus, organizational learning and growth, corporate social responsiveness, and environmental impact. To gain a comprehensive understanding of the significance of each board characteristics dimension with respect to non-financial performance, five sub-hypotheses were set and tested for each aspect of non-financial performance.

Board Characteristics and Internal Processes

Additionally, the study examined the impact of individual board characteristics dimensions on internal business processes. Subsequently, the sub-hypothesis **$H0_{1}a$** was tested, which stated that there is no statistically significant influence of board characteristics on the non-financial performance specifically related to internal business processes within insurance companies in Uganda. The study also explored the influence of firm characteristics on internal processes. Average indexes were calculated for all dimensions of both the board characteristics constructs and internal processes. Subsequently, a regression analysis was conducted. The findings of this analysis are presented in Table 1.

Table 1: Board Characteristics and Internal Process

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534[a]	.285	.216	.56793

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.272	7	1.325	4.107	.001[b]
	Residual	23.223	72	.323		
	Total	32.496	79			

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	3.113	.385		8.093	.000
	Director Ownership	-.155	.068	-.266	-2.261	.027
	Gender Diversity	.120	.078	.217	1.534	.130
	Education Qualification	.043	.078	.073	.548	.586
	Age diversity	.014	.072	.025	.193	.847
	Board size	.061	.078	.095	.781	.437
	Board Independence	-.001	.072	-.002	-.013	.990
	Board Tenure	.064	.077	.122	.829	.410

a. Dependent Variable: Internal Processes

b. Predictors: (Constant), Board Tenure, Director Ownership, Education Qualification, Board size, Board Independence, Age diversity, Gender Diversity

Source: *Research Data (2023)*

The influence of board characteristics dimensions on internal business processes are presented in Table 1. The study found a moderate relationship between board characteristics dimensions and internal business processes (R= .534). Hence, an improvement in board characteristics will improve internal business processes of Insurance companies in Uganda Coefficient of determination (R^2 =.285) indicates that board characteristics constructs together explain 28.5% of variation in financial performance and the remaining 71.5% is explained by other factors not included in the model.

The ANOVA results of a test of significance for R and R^2 using the F statistic indicate board characteristics dimensions significantly influence internal business processes (F= 4.107, p<0.05 (=.001)). The individual dimension with significant influence was director ownership of the board (β= -.155, t= -2.261, p<0.05(=.027). However, results show that the value in the Significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence internal business processes among insurance companies in Uganda.

The coefficient of the composite index of board characteristics dimensions' director ownership dimension showed the highest negative significant influence with internal business processes (β= -.155, t= -2.261, p<0.05(=.027). Thus, the smaller or less the director ownership in a company the greater the internal processes. This implies that director ownership is an important board characteristic in determining internal business processes of insurance companies in Uganda.

Board Characteristics and Customer Focus

Furthermore, the study examined the impact of individual board characteristics dimensions on customer focus. Subsequently, the sub-hypothesis $\mathbf{H_{01b}}$ was tested, asserting that there is no statistically significant influence of board characteristics on the non-financial performance specifically related to customer focus within insurance companies in Uganda. The study also investigated the influence of board characteristics on customer focus. Average indexes were calculated for all dimensions of both the board characteristics constructs and customer focus. Following this, a regression analysis was conducted. The findings of this analysis are presented in Table 2.

Table 2: Board Characteristics and Customer Focus

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748[a]	.559	.516	.84887

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.740	7	9.391	13.033	.000[b]
	Residual	51.882	72	.721		
	Total	117.622	79			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.830	.575		3.183	.002
	Director Ownership	-.106	.102	-.096	-1.040	.302
	Gender Diversity	.291	.117	.278	2.497	.015
	Education Qualification	.186	.117	.166	1.597	.115
	Age diversity	-.225	.108	-.216	-2.094	.040
	Board size	.118	.117	.096	1.006	.318
	Board Independence	.135	.108	.124	1.251	.215
	Board Tenure	.419	.115	.420	3.635	.001

a. Dependent Variable: Customer Focus

b. Predictors: (Constant), Board Tenure, Director Ownership, Education Qualification, Board size, Board Independence, Age diversity, Gender Diversity

Source: *Research Data (2023)*

The influence of board characteristics dimensions on customer focus are presented in Table 2 The study found a moderate relationship between board characteristics dimensions and customer focus (R= .748). Thus, an improvement in board characteristics will improve customer focus of Insurance companies in Uganda. Coefficient of determination (R^2 =.559) indicates that board characteristics constructs together explain 55.9% of variation in customer focus and the remaining 44.1% is explained by other factors not included in the model.

The ANOVA results of a test of significance for R and R^2 using the F statistic indicate board characteristics dimensions significantly influence customer focus (F= 13.033, p<0.05 (=.000)). The individual dimensions with positive significant influence were board tenure (β= .419, t= 3.635, p<0.05(=.001) and gender diversity (β= .291, t= 2.497, p<0.05(=.015) and age diversity projected a negative significant influence (β= -.225, t= -2.094, p<0.05(=.040). However, overall results show that the value in the Significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence customer focus among insurance companies in Uganda.

The coefficient of the composite index of board characteristics dimensions' board tenure dimension showed the highest positive significant influence with customer focus (β= .419, t= 3.635, p<0.05(=.001). Thus, the longer the board stays around in a company the greater the customer focus. However, when it comes to age of board members the young in age the board members the greater the customer focus. This implies that board tenure, gender diversity and age diversity are very important board characteristic in determining customer focus of insurance companies in Uganda.

Board Characteristics and Organizational Learning and Growth

Furthermore, the study findings included an examination of the influence of board characteristics on organizational learning and growth. Subsequently, the sub-hypothesis $\mathbf{H_{01c}}$ was tested, aiming to determine whether there is a statistically significant influence of board characteristics on the non-financial performance specifically related to organizational learning and growth within insurance companies in Uganda. The average scores for all dimensions of the board characteristics constructs and organizational learning and growth were computed, followed by a regression analysis. The outcomes of this analysis are presented in Table 3.

Table 3: Board Characteristics and Organizational Learning and Growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.588[a]	.346	.282	.58189

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.897	7	1.842	5.441	.000[b]
	Residual	24.379	72	.339		
	Total	37.276	79			

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.837	.394		7.198	.000
	Director Ownership	-.048	.070	-.076	-.679	.499
	Gender Diversity	.196	.080	.333	2.458	.016
	Education Qualification	.057	.080	.090	.708	.481
	Age diversity	.091	.074	.155	1.237	.220
	Board size	-.020	.080	-.029	-.249	.804
	Board Independence	.107	.074	.175	1.447	.152
	Board Tenure	.002	.079	.004	.030	.977

Dependent Variable: Organizational Learning and Growth
Predictors: (Constant), Board Tenure, Director Ownership, Education Qualification, Board size, Board Independence, Age diversity, Gender Diversity
Source: *Research Data (2023)*

The influence of board characteristics dimensions on organizational learning and growth are presented in Table 3. The study found a moderate relationship between board characteristics dimensions and organizational learning and growth (R= .588). Thus, an improvement in board characteristics will improve organizational learning and growth of Insurance companies in Uganda. Coefficient of determination (R^2 =.346) indicates that board characteristics constructs together explain 34.6% of variation in organizational learning and growth and the remaining 65.4% is explained by other factors not included in the model.

The ANOVA results of a test of significance for R and R^2 using the F statistic indicate board characteristics dimensions significantly influence organizational learning and growth (F= 5.441, $p<0.05$ (=.000)). In other words, it can be concluded that board characteristics and organizational learning and growth are statistically significant. The individual dimensions with positive significant influence was gender diversity (β= 196, t= 2.458, $p<0.05$(=.016). However, overall results show that the value in the Significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence organizational learning and growth among insurance companies in Uganda.
The coefficient of the composite index of board characteristics dimensions' gender diversity dimension showed the highest positive significant influence with organizational learning and growth (β= 196, t= 2.458, $p<0.05$(=.016). Thus, the more gender diverse the board of a company the greater the organizational learning and growth. This implies that gender diversity is a very important board characteristic in determining organizational learning and growth of insurance companies in Uganda.

Board Characteristics and Corporate Social Responsiveness

The study examined the impact of board characteristics on corporate social responsibility as a performance construct. The sub-hypothesis **$H0_{3d}$** was tested, aiming to determine whether there is a statistically significant influence of board characteristics on the non-financial performance specifically related to corporate social responsibility within insurance companies in Uganda. The objective was to assess the magnitude of this relationship. Board characteristics were considered as the independent construct, while corporate social responsibility, as the fifth determinant of performance within the Strategic Balanced Scorecard (SBSC) framework, was considered as the dependent construct. Information regarding social responsiveness measures taken by the companies, such as staff medical schemes, supplier development, and gender-related initiatives, was collected.

Table 4: Board Characteristics and Corporate Social Responsibility

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741[a]	.548	.504	.56689

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.097	7	4.014	12.490	.000[b]
	Residual	23.138	72	.321		
	Total	51.235	79			

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	2.655	.384		6.916	.000
	Director Ownership	-.280	.068	-.382	-4.092	.000
	Gender Diversity	.221	.078	.320	2.846	.006
	Education Qualification	.168	.078	.227	2.156	.034
	Age diversity	-.020	.072	-.030	-.284	.777
	Board size	-.007	.078	-.008	-.085	.932
	Board Independence	.018	.072	.025	.247	.806
	Board Tenure	.084	.077	.127	1.089	.280

a. Dependent Variable: corporate social responsiveness

a. Predictors: (Constant), board tenure, director ownership, education qualification, board size, board independence, age diversity, gender diversity

Source: *Research Data (2023)*

The influence of board characteristics dimensions on corporate social responsiveness are presented in Table 4. The study found a moderate relationship between board characteristics dimensions and corporate social responsiveness (R= .741). Thus, an improvement in board characteristics will improve corporate social responsiveness of Insurance companies in Uganda. Coefficient of determination (R^2 =.548) indicates that board characteristics constructs together explain 54.8% of variation in corporate social responsiveness and the remaining 45.2% is explained by other factors not included in the model.

The ANOVA results of a test of significance for R and R^2 using the F statistic indicate board characteristics dimensions significantly influence corporate social responsiveness (F= 12.490, p<0.05 (=.000)). In other words, it can be concluded that board characteristics and corporate social responsiveness are statistically significant. The individual dimension with negative significant influence was director ownership (β= -.280, t= -4.092, p<0.05(=.000). However, gender diversity (β= .221, t= 2.846, p<0.05(=.006) and education qualification (β= .168, t= 2.156, p<0.05(=.034) had a positive significant influence. However, overall results show that the value in the Significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence corporate social responsiveness among insurance companies in Uganda.

The coefficient of the composite index of board characteristics dimensions' director ownership dimension showed the highest negative significant influence with corporate social responsiveness (β= -.280, t= -4.092, p<0.05(=.000). Thus, the smaller or less the director ownership in a company the greater the corporate social responsiveness. This implies that director ownership, education qualification and gender diversity are very important board characteristic in determining corporate social responsiveness of insurance companies in Uganda.

Board Characteristics and Environment impact

Furthermore, the study findings revealed the impact of board characteristics on the environment. Subsequently, the sub-hypothesis $\mathbf{H_{03e}}$ was tested, aiming to determine whether there is a statistically significant influence of board characteristics on the non-financial performance specifically related to environmental impact within insurance companies in Uganda. The objective was to assess the magnitude of this relationship. The average scores for all dimensions of the board characteristics constructs and environmental impact were calculated, followed by a regression analysis. The outcomes of this analysis are presented in Table 5.

Table 5: Board Characteristics and Environment

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.555[a]	.309	.241	.72220

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	16.759	7	2.394	4.590	.000[b]
	Residual	37.553	72	.522		
	Total	54.312	79			

Coefficients[a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	1.820	.489		3.722	.000
	Director Ownership	-.091	.087	-.120	-1.041	.301
	Gender Diversity	.173	.099	.243	1.744	.085
	Education Qualification	.234	.099	.307	2.356	.021
	Age diversity	-.037	.092	-.051	-.399	.691
	Board size	-.061	.100	-.073	-.611	.543
	Board Independence	.084	.092	.114	.912	.365
	Board Tenure	.052	.098	.077	.532	.596

a. Dependent Variable: Environment
b. Predictors: (Constant), Board Tenure, Director Ownership, Education Qualification, Board size, Board Independence, Age diversity, Gender Diversity
Source: *Research Data (2023)*

The influence of board characteristics dimensions on environment impact are presented in Table 5. The study found a relatively moderate relationship between board characteristics dimensions and environment (R=.555). Thus, an improvement in board characteristics will improve environment impact of Insurance companies in Uganda. Coefficient of determination (R^2=.309) indicates that board characteristics constructs together explain 30.9% of variation in environment and the remaining 69.1% is explained by other factors not included in the model under study.

The ANOVA results of a test of significance for R and R^2 using the F statistic indicate board characteristics dimensions significantly influence environment impact (F= 4.590, p<0.05 (=.000)). In other words, it can be concluded that board characteristics and environment impact are statistically significant. Education qualification is the only individual dimension with a positive significant influence (β= .234, t= 2.356, p<0.05(=.021). However, overall results show that the value in the Significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence environment impact among insurance companies in Uganda.

The coefficient of the composite index of board characteristics dimensions' education qualification dimension showed the highest positive significant influence with environment impact (β= .234, t= 2.356, p<0.05(=.021). Thus, Thus, the more education qualification the directors of the company have the greater the environment impact. This implies that education qualification is very important board characteristic in determining environment impact of insurance companies in Uganda.

Overall Influence of Board Characteristics and Non-Financial Performance

The study examined the overall impact of board characteristics on the non-financial performance of insurance companies in Uganda, based on the hypothesis **H_{01}**, which stated that there is no statistically significant influence of board characteristics on non-financial performance. To investigate this, the combined dimensions of board characteristics were regressed against the combined dimensions of non-financial organizational performance. This analysis aimed to determine whether board characteristics serve as a reliable predictor of non-financial organizational performance within insurance companies in Uganda.

The study's findings provided sufficient evidence to support the influence of board characteristics on non-financial organizational performance. The results of the statistical analysis indicated a significant and quantifiable relationship between specific characteristics of insurance company boards in Uganda and their non-financial performance. This suggests that the influence of board characteristics on non-financial performance is not simply a result of random fluctuations but rather a genuine and meaningful association. The analysis employed a simple linear regression approach. The results of the hypothesis test are presented in Table 6.

Table 6: Overall Influence of Board Characteristics and Non-Financial Performance

Model Summary						
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**		
1	.521[a]	.272	.262	.48808		
ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	6.932	1	6.932	29.101	.000[b]
	Residual	18.581	78	.238		
	Total	25.513	79			
Coefficients[a]						
Model		**Unstandardized Coefficients B**	**Unstandardized Coefficients Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**
1	(Constant)	2.302	.265		8.687	.000
	Board Characteristics	.457	.085	.521	5.394	.000

a. Dependent Variable: Non-Financial Performance

b. Predictors: (Constant), Board Characteristics

Source: *Research Data (2023)*

The results indicate that there is a relatively moderate association between board characteristics and non-financial performance (R=521). Thus, an improvement in board characteristics will improve non-financial performance of Insurance companies in Uganda. The coefficient of determination R2 =.272 implies that board characteristics explains 27.2% of the variation in non-financial performance. The other variables not included in this study explain the remaining 72.8% (error term). This result shows a strong influence of firm characteristics on organizational performance.

The ANOVA results of a test of significance for R and R2 using the F statistic indicate board characteristics significantly influence non -financial performance (F= 29.101, $p<0.05$ (=.000)). In other words, it can be concluded that board characteristics and non-financial performance are statistically significant. Board characteristics dimension has a positive significant influence (β= .457, t= 5.394, p<0.05(=.000). The overall results show that the value in the significance column is very small P value less than 0.05 hence the null hypothesis is rejected and fail to reject the alternative hypothesis. This imply that board characteristics significantly influence environment impact among insurance companies in Uganda.

The overall model was statistically significant (F = 29.101, P-value < .000). The results of the beta coefficient showed that a unit increase in board characteristics will cause a 0.521-unit increase in non-financial performance (β =.521, t=5.394, p<0.05(.000)) suggesting that the influence of board characteristics on non-financial performance was statistically significant. This implies board characteristics are a good predictor of non-financial performance of insurance companies in Uganda. The findings, thus, showed that there was sufficient evidence to support the influence of board characteristics on non-financial performance.

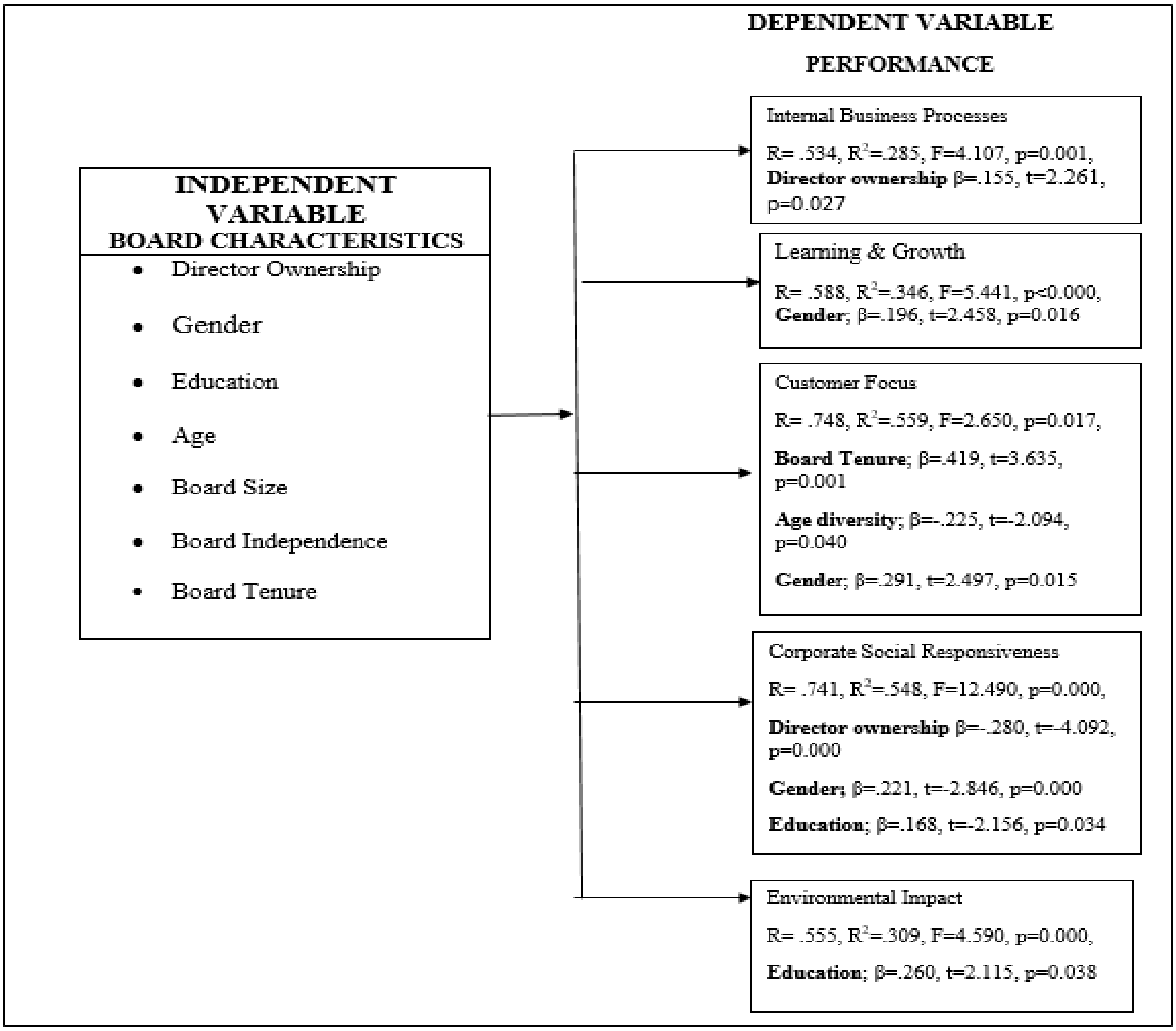

Figure 2: Influence Diagram of Board Characteristics and Non-Financial Performance

DISCUSSION

The third null hypothesis from the second objective of the study was tested. The second null hypothesis that was tested was **H_{01}:** There is no statistically significant influence of board characteristics on the non-financial performance of Insurance companies in Uganda. The results showed a positive significant influence between board characteristics and non-financial performance (R = 0.521). The model was overall significant (F = 29.101, P-value = 0.000). Further 27.2 percent of the variation in non-financial performance in the Insurance companies in Uganda was accounted for by the changes in board characteristics put in place. The null hypothesis was rejected ($\beta = 0.457$, $t = 5.394$, P-value = 0.000<0.05). The findings are supported by Low & siesfield (1998) in the study titled measures that matter; non-financial performance who concluded that investors decisions are significantly influenced by non-financial performance information.

The study confirms the findings by Bwire (2018) whose results reveal that demographic characteristics have a significant positive influence on non-financial performance using dimensions of Customer focus, internal business processes, organizational learning and growth, corporate social responsiveness and environmental integrity. The study determined the influence of board characteristics on each of the non-financial performance measurements as conceptualized in the study. This included the influence of board characteristics on non-financial performance; internal processes, customer focus, learning and growth, corporate social responsiveness and environmental. The study found that overall board characteristics dimensions significantly influence non-financial performance. Lumumba (2019) conceptualized and studied performance using the sustainable balanced scorecard and focused on financial and non-financial performance. Furthermore, the results of non-financial performance dimensions predicted statistically strong positive association. This supports the study conceptualization focusing on and separating financial performance from non-financial performance while conducting performance studies.

The study also found a statistically significant and strong positive association between board characteristics dimensions and customer focus (R=.748, F=13.033, P-value=.000). The findings therefore imply that board characteristics constructs are important in determining customer focus of insurance companies in Uganda. Kolev (2012) argues that customer focus performance is the alignment of an organization towards serving its customers' requisites. However, under customer focus three board characteristics were significant; board tenure was positively statistically significant with customer focus performance. Implying that longer the board in service the more customer centric. Gender was positively statistically significant with customer focus performance. This implies that the more gender diverse the board the more customer centric. Age was negatively statistically significant with customer focus performance. This implies that the older in age the board members the less customer centric.

The study found that board characteristics constructs have a statistically significant moderate influence on internal processes (R=.534, F=4.107, P-value=.001). The findings therefore imply that board characteristics constructs are important in determining internal business processes of insurance companies in Uganda. However, director ownership was the only board characteristic dimension that was negatively statistically significant with internal business processes performance. This implies that the more director ownership on the board the less internal business processes performance.

The study further found that board characteristics constructs of organizational learning and growth was statistically significant with a moderate positive association (R=.588, F=5.441, P-value=.000). The findings therefore imply that board characteristics constructs are important in determining organizational learning and growth of insurance companies in Uganda. However, gender diversity was the only board characteristic dimension which was positively and statistically significant with organizational learning and growth performance. The results mean that the more women representation on the board the better organizational learning and growth performance.

The study further found a statistically significant and strong positive association between board characteristics dimensions and corporate social responsiveness (R=.741, F=5.441, P-value=.000). The findings therefore imply that board characteristics constructs are important in determining corporate social responsibility of insurance companies in Uganda. Social responsiveness is important for the long run profitability of organizations and underscores human perspective of business, depicting an important relationship with the general community and with the society where the business is positioned (Dinu, 2012). The results indicate that three board characteristics dimensions were statistically significant with corporate social responsive performance. Education qualification was positively and statistically significant with corporate social responsive performance. The finding indicates that the more educated the board members the better appreciation in the value of giving back to the community and supporting community causes. Gender is also reported to positively influence corporate social responsive performance. While director ownership is negatively statistically significant with corporate social responsive performance. The results imply that an increase in director ownership can lead to a reduction in participation in community causes.

The study also found a statistically significant and strong positive association between board characteristics dimensions and environment impact (R=.555, F=4.590, P-value=.000). Further board characteristics also influences environment impact performance on a strong association scale. Organizations are building consensus on environmental social responsibility that lead to sustained competitive advantage (Ricks, 2005). The results indicate that education qualification is the only board characteristics dimension that positively and statistically significant with environmental impact performance. The results mean that more educated the board members the better understanding of the environmental related issues and its impact on performance

Upper echelons theory Hambrick & Mason, (1984) suggests that the characteristics and experiences of top-level executives, such as board members, influence their decision-making and ultimately the performance of the organization. In the context of insurance companies in Uganda, this theory suggests that the demographic characteristics of the board members may affect their decision-making and hence the financial performance of the company. Agency theory Jensen and Meckling, (1976), on the other hand, emphasizes conflicts of interest may arise between principals and agents, as agents may prioritize their own interests over those of the principals. This may lead to a divergence between the interests of the company and its shareholders, potentially resulting in poor financial performance. The influence of the five board characteristics dimensions that were statistically significant with on individual performance measures are demonstrated using an influence diagram for visual interpretation in Figure 2.

CONCLUSION

The study further tested the direct relationship as hypothesized by the hypothesis, that there is no statistically significant influence of board characteristics on the non-financial performance of Insurance companies in Uganda. The study provided evidence that board characteristics positively, and statistically influence non-financial performance of insurance companies in Uganda. Gender diversity had a positive and statistically significant influence on non-financial performance. The individual dimensions of non-financial performance, internal business processes performance, corporate social responsiveness performance, customer focus performance, organizational learning and growth performance, and environmental impact performance were positively and statistically significant with board characteristics. It is therefore concluded that board characteristics influence non-financial performance of insurance companies in Uganda. Based on the sub hypotheses the study further provided evidence of five board characteristics dimensions of gender, age, education, board tenure, and director ownership as the most influential in the study on organisational performance.

RECOMMENDATIONS

The study emphasized the need for the Ugandan government through the regulator IRA to address the challenge of limited or lack of gender diversity by instituting a mandatory quota of at least a minimum of 45 percent of representation of women on boards (Gharbi & Othmani, 2023). Secondly, the study advocates for the policy on age diversity on board to a minimum of 55 percent should be less than 45 years old. Thirdly, the minimum education qualification composition on the board should be a bachelor’s degree 30%, Master’s degree 40% and PhD 30%. Furthermore, the board tenure should be three years, two terms based on performance. Director ownership should be capped to not more than 10% of the board of directors. A clear policy on director liability protection, retirement and compensation should be fastracked. The findings suggest that facilitating the implementation of the above board characteristics will result in a positive stellar performance of insurance companies in Uganda. Insurance companies in Ugandan economy are instrumental in savings mobilization, risk transfer, institutional investment, and financial inclusion and deepening. The performance of insurance companies is important.

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