

# Board Characteristics, Type of Insurance And Performance in Indonesia Sharia Insurance Companies

258

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## Abstract

The purpose of this study is to examine the influence of the board characteristics on the performance of Indonesian sharia insurance companies with insurance types as moderating variable. The board characteristics in this study are the size of board directors, the size of board commissioners, the proportion of women in board directors, and the proportion of women in board commissioners. This study uses 22 sharia insurance business units as a sample with the period of 2014-2019. We use purposive sampling as a sampling technique. Multiple regression with split sample was used in this research as technical analysis. The results showed that the size of the board directors influence performance negatively. In addition, the type of insurance moderate the influence size of board directors and the proportion of women as directors on performance. There are differences for size of the board of commissioners and the proportion of women as board commissioners.

**Keywords:** Board, Performance, Sharia business unit, Sharia insurance, Corporate governance.

## INTRODUCTION

Sharia Insurance in Indonesia began with the Takaful Insurance on 5<sup>th</sup> May 1994. Sharia insurance has been developed sufficiently for 26 years. However, after 26 years of being established and developing, the sharia insurance market share is not much different from sharia banks which is only 6.6% on November 2019 and has experienced slowdown in asset growth since 2018. The growth of sharia insurance industry assets in 2019 was 8.44%, where sharia life insurance grew 8.74%, sharia general insurance grew 5.02%, and sharia reinsurance grew 13.35%. The growth of these assets was influenced



by the growth of national contribution income of 8.69%, where sharia life insurance increased 9.76%, sharia general insurance contracted 1.08%, and sharia reinsurance increased 15.44% (www.republika.co.id, 2020).

Insurance performance is important to be researched because the performance shows the company's result and achievement and it is the main concern of the owner and stakeholders of the company. After cases which were happened in conventional government-owned insurances such as Jiwasraya and Bumiputera due to weak internal and external monitoring, research on the relationship between corporate governance and insurance performance in this case of sharia insurance becomes necessarily to do.

Research on insurance performance previously has been carried out by several researchers who have linked to financial ratios such as Suherman, Firmansyah, Almunawwaroh (2019) in Indonesia, Ulfan (2017) in Indonesia, AlNemer (2016) in Saudi Arabia, Utami (2016) in Indonesia, Handayani (2015) in Indonesia, Mandira (2014) in Indonesia, Hasbi (2013) in Indonesia, Joo (2013) in India, Patel (2013) in India, Putri and Lestari (2014) in Indonesia. The others examine the relationship between corporate governance and insurance performance (Pramono, 2019 in Indonesia, Hidayat and Firmansyah, 2017 in Indonesia; Fekadu, 2015 in Ethiopia; Dhouibi, 2013 in Tunisia).

The relationship between corporate governance especially in characteristics of the board to the performance of sharia insurance is important to be researched because board has responsibility for the performance of company. The board in this research refer to board of directors that run the company every day and the board of commissioners that monitor and supervise the directors in running the company. In addition, research on the relationship of corporate governance and insurance performance is still limited in Indonesia.

The results of Fekadu's (2015) research in the Ethiopian insurance industry showed that board size and board diversity had a negative effect on performance. This is different from Hidayat and Firmansyah (2017) who conducted research on sharia insurance companies in Indonesia during 2011-2015. The results of their study showed that the size of board directors did not influence on the financial performance of Islamic insurance. Other results showed that the Board of Commissioners influence the financial performance of sharia insurance negatively, which was contrary to Tertius and Christiawan (2015) who found that the Board of Commissioners did not

affect the company's performance in the Indonesia financial sector during 2011-2013 period. This was confirmed by Firmansyah and Fadillah (2019) who examined 19 Sharia insurance companies in Indonesia for the period 2014-2017. The result of the research indicated that the Board of Commissioners did not affect the company's performance. Dhouibi (2013) found something different in Tunisia that the number of directors had a positive effect on insurance performance. Gender diversity did not affect company performance in 84 Danish companies and 102 Dutch companies during 2007 (Marinova, Plantenga, Remery, 2010). This is in line with Suhardjanto, Alwiyah, Utami and Syafruddin (2017) in 28 Indonesia mining companies for the periode 2011-2015. This is different from Ujunwa, Nwakoby, Ugban (2012) who found a negative influence of gender diversity on company performance in 122 Nigerian companies. The results of these studies indicate there are still inconsistencies in the results.

In addition to the characteristics of the board, several previous studies have linked company performance with characteristics of industry and company. Ruefli and Wiggins (2003) found the influence of company characteristics was stronger than the character of the industry. This is supported by Houthoofd and Hendrickx (2012) in the service industry in Belgium with a sample of 20 companies during the 1998-2003 period. Research was done by Raza, Farooq and Khan (2011) confirmed that the characteristics of the company, industry and market share influenced the performance of companies on the Karachi Stock Exchange for the 2004-2009 period.

The difference between this study and previous research on corporate governance and the performance of sharia insurance is that this study uses the type of insurance as a moderating variable that influences board characteristics on the performance of sharia insurance in Indonesia. Type of insurance is a categorical variable and can be used as a moderating variable (Memon, Cheah, Ramayah, Ting, Chuah, dan Cham, 2019). In addition, type of insurance offers different product so has different product characteristics and consumers too. Type of insurance with different product characteristics could strengthen or weaken the influence of board characteristics to sharia insurance performance. This is the novelty of the research and contributes to the existing theory. The analysis technique in this research is multiple regression with split sample based on the type of insurance. Research with the same method was conducted by Ning and Alikaj (2019) with different research topics.

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**LITERATURE REVIEW**

The relationship between board and the performance of sharia insurance in these research uses agency theory. According to agency theory the relationship or contract between the owner and manager raises agency problem due to differences in interests (Jensen and Meckling, 1976). The owners want the manager to act in the interests of the owner but the manager has opportunities to make decisions that benefit himself. Agency problems will raise as problems in the achievement of company performance.

The concept of corporate governance is used to overcome the agency problem especially is the structure of corporate governance. The structure of corporate governance in this study refers to the existence of board directors and commissioners. Board of Directors as the party who runs the company's operations every day. Board of Commissioner as the party that carries out the supervisory and monitoring function to the directors.

Agency theory used three basic assumptions namely human assumption, organizational assumption, and informational assumptions (Eisenhardt, 1989). This study uses size of board directors as an independent variable to fulfill human assumptions. This assumption states that humans basically have a selfish nature, limitations of rationality and are risk-averse. The size board of directors fulfills these assumptions in relation to the limitations of rationality. Because the greater size board of directors, the more expertise they have, the wider network coverage both internally and externally and the better competence so that the decisions taken by the directors are better too. The greater size of board directors, the better the company's performance (Dhouibi, 2013). Datta (2018) supported the effect of board size on the performance of insurance companies in Bangladesh for the periode 2010-2016. This is in line with Khan, Arman, Eneizan (2019) in Pakistan for the periode 2010-2015.

The positive effect of size board directors on performance was also found by Kader, Adams, Hardwick, and Kwon (2014) in 50 companies with the period of research 2005-2007 in 17 Islamic countries. The result of the study was confirmed by Najjar (2012) who conducted research on insurance companies in Bahrein during the period 2005-2010. The same result was stated by Tornyeva and Wereko (2012) in the Ghana insurance company in the period 2005-2009, so the hypothesis in this study is:

$H_1$ : The size board of director has a positive impact on performance of sharia insurance business units.

The use of size board commissioners in this study has the same analogy with the size of board directors. The size board of commissioners fulfills human assumptions namely the limitations of rationality in agency theory. The greater size of board commissioners, the better the supervisory function is because more personnel are involved in the supervision, so the company's performance increases.

The perspective that the greater members of board commissioners, the better performance also be seen from resource dependence. The greater size board of commissioners shows that there is a diversity of expertise, knowledge and skills that are useful in providing advice to the directors and monitoring the performance of them (Al Amameh, 2014). The existence board of commissioners as the implementation of corporate governance mechanism will improve company performance with the existence of an advocate function from the commissioners. The greater size Board of Commissioners will increase company performance, but if the size is too large will reduce company performance. This is caused by difficulties in the coordination function (Hidayat and Utama, 2015).

The positive influence of board commissioners' size and company performance was documented by Hidayat and Firmansyah (2017) who examined 15 sharia insurances in Indonesia during the 2011-2015 period and found that the size of board commissioners had a positive effect on the performance of sharia insurance in Indonesia. The study confirmed Ahmad, Tariq, Hamad and Samad (2014) in Pakistan, Widagdo and Chariri (2014) in Indonesia non-financial companies, and Putra (2015) in 100 Indonesia manufacturing companies for the period of 2010-2013 so that the hypotheses in this study is:

H<sub>2</sub>: The size board of commissioner has a positive impact on performance of sharia insurance business units.

The proportion of women in board of directors and boards of commissioners is to fulfill human assumptions in agency theory mainly the limitations of rationality. The increasing proportion of women on the board of directors and the board of commissioners shows that the company fulfills social, moral and ethical concerns by involving women in the board of directors as decision makers and as commissioners who have the authority to monitor, so that the company's reputation increases and encourages better company performance (Ibrahim, Ouma, and Koshal, 2019).

Liu, Xie and Wei (2014) documented positive influence of gender diversity on company performance in China. The results of the study were confirmed by Low, Roberts and Whiting (2015) who conducted research in Hong Kong, South Korea, Singapore and Malaysia. García-Meca, Sánchez, and Ferrero (2015) agree that gender diversity strengthen company performance with a sample of 159 companies in 9 countries in the period of 2004-2010. They also stated that weak regulation and protection to investors in a country caused the influence of gender diversity on company performance was weak. The result of this study was supported by Amore and Garofalo (2016) who conducted research in the US for 1994-2006. They proved that the company has good performance stability with the presence of female directors even though the level of business competition is very tightly. Based on the theory and results of previous studies, the hypothesis in this study are:

H<sub>3</sub>: The proportion of women on the board directors has a positive impact on performance of sharia insurance business units.

H<sub>4</sub>: The proportion of women on the board commissioners has a positive impact on performance of sharia insurance business units.

The type of insurance in this study as a moderating variable that is a variable that can strengthen or weaken the influence of the independent variable (size of board directors, size of board commissioners, proportion of women as directors, proportion of women as commissioners) to the dependent variable (performance of sharia insurance business units). The type of insurance as a moderating variable is based on previous research that found the influence of industry types and company types on company performance (Ruefli and Wiggins, 2003; Raza, Farooq and Khan, 2011; Houthoofd and Hendrickx, 2012). Matyjas (2014) supported the results of previous studies that the type of company affects the performance of 387 companies on the Warsawa Stock Exchange during the 2007-2010 period. Ortynski (2016) confirmed that company-specific characteristics affect the performance of companies in Poland insurance companies during the period 2006-2013.

The type of insurance as a moderator variable refers to Memon, Cheah, Ramayah, Ting, Chuah, and Cham (2019) which state that categorical variables such as country type, gender, type of university, and type of industry can be used as moderation variables. Previous research conducted by Nataraj (2020) in India used bank types as moderating variables. Sugianto (2017) uses other categorical variables such as gender, age and income as moderating variables in Indonesia.

In addition, the type of insurance as a moderator is based on the opinion that this type of insurance offers different products that have different characters and different consumers so it can strengthen or weaken the influence of board characteristics on company performance. Based on the theory and previous studies, the hypotheses of this study are:

H<sub>5</sub>: The type of insurance moderates the influence of the size board directors on the performance of sharia insurance business units.

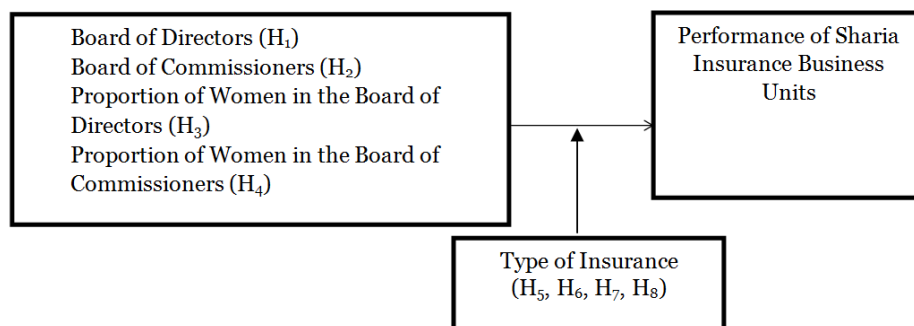
H<sub>6</sub>: The type of insurance moderates the influence of the size board commissioners on the performance of sharia insurance business units.

H<sub>7</sub>: The type of insurance moderates the influence of the proportion women as board directors on the performance of sharia insurance business units.

H<sub>8</sub>: The type of insurance moderates the influence of the proportion women as board of commissioners on the performance of the sharia insurance business units.

The conceptual framework of this study is described as follows

**Figure 1**  
**Conceptual Framework of The Research**



## RESEARCH METHOD

The population of this study is the sharia insurance business units which are registered in the OJK during the 2014-2019 period in Indonesia. The sampling technique is purposive sampling, so that the number of samples that met the criteria in this study are 22 sharia insurance business units. The research data is taken from the company's annual report, so the type of data is included in the secondary data.

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## Operational Definition of the Variables and Measurements

The size of board of directors (BoD) is the number of members board of directors in company at a certain time (Beasley, 1996; Cheng, Evans and Nagarajan, 2008). To measure the size of board directors refers to Datta (2018), Dhouibi (2013), Wijayanti and Mutmainah (2012), Cheng *et al.* (2008), and Beasley (1996).

Size of BoD = Number of members board directors at a certain time

The size of the board of commissioners (BoC) is the number of members board commissioners in the company at a certain time (Brick and Chidambaran, 2010). To measure the size of the Board of Commissioners refers to Hidayat and Utama (2015), Robin and Amran (2016), Widagdo and Chariri (2014), and Fernandez (2015).

Size of BoC = Number of members board commissioners at a certain time

The proportion of women in Board of Directors is how many women as directors compared to the number of directors (Frieze, Olson and Good, 1990). The measurement of the variable refers to Endraswati (2018), Putra (2015), Marinova *et al.* (2010), Dervish (2009), and Frieze *et al.* (1990).

$$\text{Proportion of women in BoD} = \frac{\text{The number of women as directors}}{\text{Number of directors}} \times 100\%$$

The proportion of women in the Board of Commissioners is how many women as members of commissioners compared to the number of commissioners (Frieze *et al.*, 1990). The measurement of the variable refers to Iunascu, Sacarin and Minu (2018), Suhardjanto *et al.* (2017), Endraswati (2016), and Frieze *et al.* (1990).

$$\text{Proportion of women in BoC} = \frac{\text{Number of women as commissioners}}{\text{Number of commissioners}} \times 100\%$$

The measurement of performance in this study uses Risk Based Capital. Risk Based Capital (RBC) according to the National Association of Insurance Commissioners (NAIC) is a method used to determine the adequacy of a company's capital so it will not harm its customers when a loss occurs due to the deviation of asset and liability management by considering size and risk. Minimum solvency level according to POJK No. 72/POJK.05/2016 about the



financial health of sharia insurance companies and reinsurance companies is 120%. The formula for calculating RBC in this study refers to Cummins and Phillips (2009), Nasution, Adiba, and Abdulrahim (2019), Pramestika (2019), Sumartono and Harianto (2018), Levianny and Sukiati (2014) as follows:

$$RBC = \frac{\text{Wealth permitted} - \text{liability}}{\text{Minimum Solvency Level Limits}} \times 100\%$$

The analysis technique used to meet the objectives of this study is multiple regression analysis with split samples based on the type of insurance. This method refers to Ghozali (2011) and Ning and Alikaj (2019). The equation model is used as follows:

$$RBC = \beta_0 + \beta_1 UD + \beta_2 UDK + \beta_3 GD + \beta_4 GDK + \varepsilon$$

Where:

RBC	: Risk Based Capital
$\beta_0$	: Constant
$\beta_{1-4}$	: The coefficient of the independent variable
UD	: Board of Directors' Size
UDK	: Board of Commissioners' Size
GD	: Proportion of Women in the Board of Directors
GDK	: Proportion of Women in the Board of Commissioners
$\varepsilon$	: Residual Variable or Prediction Error

Hypothesis testing in this research by looking at the significance value in the t test. If the significance is less than 0.05, then the hypothesis is accepted and vice versa. Before multiple regression analysis is performed, researchers test the classical assumptions to meet the aspects of normality, multicollinearity, heteroscedasticity, and autocorrelation.

## RESULTS

The results of the study are presented in the form of descriptive statistics and hypothesis testing. Descriptive statistics provide an overview of the mean, maximum and minimum values of each variable used in this study.

Table 1  
Descriptive Statistics of General and Other Sharia Business Units in Indonesia

	General insurance					Other Insurance				
	n	Min	Max	Mean	Std Dev	n	Min	Max	Mean	Std Dev
RBC	66	-1463	940	182.85	295.57	66	35	8903	1064.31	1560.49
UD	66	3	6	4	0.92	66	3	7	4	1.18
UDK	66	3	9	4	1.18	66	3	6	4	0.94
GD	66	0	50	14.65	16.49	66	0	50	25.5	16.41
GDK	66	0	50	13.61	17.23	66	0	50	16.31	15.36

Source: Data is processed from financial statements

Based on Table 1 above, it can be seen that the RBC value of each sharia general insurance business units during the study period have minimum value is -1463% and maximum value is 940% and an average value is 182.85%. Other insurance business units have minimum value is 35% and a maximum value is 8903% and an average value is 1064.31%. This shows that there is a sharia insurance business unit that has not met the solvency standard in accordance with OJK regulations, namely: POJK No. 72/POJK.05/2016. Regulations in Indonesia before 2016 refer to KMK regulation No. 424/KMK.06/2003 which both of them set the minimum solvency ratio is 120%.

Regulations about size of Board Directors and Board of Commissioners in insurance company are in POJK No.2/POJK.05/2014 and POJK No.73/POJK.05/2016 which states that the size of board directors and the size of Board of Commissioners must be a minimum of three persons. We can see that based on the descriptive statistical results in Table 1 above, all sharia insurance business units, both general and other insurance, have fulfilled the existing regulatory requirements.

The proportion of women in the Board of Directors and the Board of Commissioners has not been regulated in insurance corporate governance regulation. Because there is no regulation yet, the majority of sharia insurance business units do not involve women either in the composition of the directors or commissioners. Based on Table 1 above the minimum value is still 0% and the maximum value is 50% with the average proportion of women as Directors is 14.65% for general insurance and 25.5% for other insurance. A smaller percentage is in the proportion of women as Board of Commissioners with an average is 13.61% for general insurance and 16.31% for other insurance.

To test the hypotheses, researchers have tested classical assumptions namely normality, multicollinearity, heteroscedasticity and autocorrelation.

The results of the classic assumption test in this study have fulfilled normality, no multicollinearity, no heteroscedasticity and no autocorrelation. Furthermore, researchers conducted multiple regression analysis by splitting the sample based on the type of insurance business into two namely: general insurance and other insurance.

Table 2  
Results of Multiple Regression Analysis

Variables	Pool Data		General Insurance		Other Insurance	
	Coefficient	Prob	Coefficient	Prob	Coefficient	Prob
Constanta	1228.78	0.028	50.32	0.800	2189.41	0.046
UD	-282.87	0.009***	-41.42	0.040**	-366.92	0.049**
UDK	91.55	0.349	30.42	0.325	67.12	0.744
GD	63.01	0.024**	44.65	0.001***	9.45	0.065*
GDK	105.74	0.875	-273.57	0.281	10.53	0.437
Adjusted R-squared		0.234		0.242		0.128
F-Statistic	2.15	0.049**	3.04	0.024**	1.46	0.044**

Source: Data \*\*\*, \*\*, \* significant at  $\alpha = 1\%$ ,  $5\%$  and  $10\%$

The adjusted R-Squared value for pool data in Table 2 shows 23.4%. It means that the variable size of Board Directors, size of Board Commissioners, the proportion of women in the board of directors and the proportion of women in the Board of Commissioners can explain 23.4% variation in the performance of the sharia insurance business unit and the remaining 76.6% is explained by other variables which are not examined in this study. The adjusted R-Squared value in Table 2 for general insurance is 24.2%. It means that the variation in the performance of the sharia general insurance business unit can be explained by the variable size of directors, size of board commissioners, the proportion of women as directors and the proportion of women as commissioners is 24.2% and the remainder 75.8% is explained by other variables which are not used in this study. The adjusted R-squared value for other insurance is 12.8%. It means that the variation in the performance of other sharia insurance business units can be explained by size of board directors, size of board commissioners, the proportion of women as directors, and the proportion of women as commissioners is 12.8% and the remaining 87.2% is explained by other variables which are not used in this study.

The F value in Table 2 shows the probability of 0.049 for data pool, 0.024 for general insurance and 0.044 for other insurance. Because the probability value is smaller than 0.05, it can be said that the variable size of directors, size of commissioners, the proportion of women as directors and the proportion of women as commissioners jointly influence the overall insurance performance, as well as when the type of insurance is separated into general insurance and others.

The size of board director variable has a coefficient value of -282.87 (negative) with a significance value of 0.009 which this value is less than 0.05 so  $H_1$  is not supported. It means that the greater the board size, the lower the performance of sharia insurance business unit.

The size of Commissioners variable has a coefficient value of 91.55 (positive) with a significance value of 0.349 where this value is more than 0.05 so  $H_2$  is not supported. It means that the size of Board of Commissioners does not affect the performance of the sharia insurance business unit.

The variable proportion of women as directors has a coefficient of 63.01 (positive) with a significance value of 0.024 which this value is less than 0.05 so  $H_3$  is supported. It means that the proportion of women as directors has a positive effect on the performance of the sharia insurance business unit.

The variable proportion of women as commissioners has a coefficient of 105.74 (positive) with a significance value of 0.875 where this value is greater than 0.05 so  $H_4$  is not supported. It means that the proportion of women as commissioners does not have a positive effect on the performance of the sharia insurance business unit.

To test the moderating variable by comparing the adjusted R-squared value and seeing the significance of the variable. The adjusted R-squared value for sharia general insurance business units is 24.2% and for other sharia insurance business units is 12.8%. Based on Table 2 above the size of directors has a coefficient of -41.42 (negative) with a significance value of 0.040 for sharia general insurance business units and a coefficient of -366.92 (negative) with a significance value of 0.049 where this value is less than 0.05 so it can be said that  $H_5$  is supported. This means that the type of insurance moderates the influence of size board directors on the performance of sharia insurance business unit in Indonesia. Based on the coefficient value, the effect of the size board directors on performance is stronger in the sharia general insurance business unit group compared to other sharia insurance business unit groups.

The size of board commissioners has a coefficient of 30.42 (positive) with a significance value of 0.325 for sharia general insurance business units and a coefficient of 67.12 (positive) with a significance value of 0.744 for other sharia insurance business units which this value is greater than 0.05 so it can be said that  $H_6$  is not supported. This means that the type of insurance does not moderate the influence of size board commissioners on the performance of sharia insurance business units in Indonesia.

The proportion of women as directors has a coefficient of 44.65 (positive) with a significance value of 0.001 for the sharia general insurance business unit and a coefficient of 9.45 (positive) with a significance value of 0.065 for other sharia insurance business units which this value is less than 0.10 so it can be said that  $H_7$  is supported. This means that the type of insurance moderates the effect of the proportion of women as directors on the performance of the sharia insurance business unit in Indonesia. Based on the coefficient value, the influence of the proportion of women as directors on performance is stronger in the sharia general insurance business group compared to other sharia insurance business unit.

The proportion of women as board commissioners has a coefficient of -273.57 (negative) with a significance value of 0.281 for the sharia general insurance business unit and a coefficient of 10.53 (positive) with a significance value of 0.437 for other sharia insurance business units which this value is greater than 0.05 so it can be said  $H_8$  is not supported. This means that the type of insurance does not moderate the effect of the proportion of women as commissioners on the performance of sharia insurance business units in Indonesia.

## **DISCUSSION**

Based on the results of hypothesis testing above,  $H_1$  which states that the size of board directors influence on the performance of sharia insurance business units positively is not supported in this study. The result of this study is in line with Wijayanti and Mutmainah (2012) in Indonesia, Fekadu (2015) in the Ethiopian insurance company, Mollah and Zaman (2015) in Indonesia, Sanyaolu, Adesanmi, Imeokparia, Sanyaolu, and Alimi (2017) in Nigerian banking, Ionascu, Ionascu, Sacarin and Minu (2018) in Romania, Lee, Cheng, Har, Nassir, Razak (2019) at Takaful insurance company in Malaysia. This result can be caused by the greater size of board directors, the agency problems that arise will also be even greater. In addition, the greater number of board directors, the more difficult to reach an agreement because of differences in views on a problem. This will affect the company's performance. The result of this study is different from Najjar (2012) in Bahrain, Dhouibi (2013) in Tunisia, Tornyeva and Wereko (2012) in Ghana, Widagdo and Chariri (2014) in Indonesia, Fernandez (2014) in Europe, Hidayat and Utama (2015) in Indonesia, Hidayat and Firmansyah (2017) in Indonesia, Datta (2018) in Bangladesh, Khan, Arman and Eneizan (2019) in Pakistan.

The results of the study in Table 2 also show that  $H_2$  is not supported. It means that size of Board Commissioners does not affect the performance of the sharia insurance business unit in Indonesia. This is consistent with research conducted by Darwis (2009), Kusumawati and Hermawan (2013), Tertius and Christiawan (2015), Putra (2015), Robin and Amran (2016), Firmansyah and Fadillah (2019) in Indonesia. The result of this study can be caused by the main task of Board Commissioners is to monitor and provide advice to the directors. The Board of Commissioners is not responsible for the daily operations of the company. In addition, the Board of Commissioners does not come every day to the company to conduct monitoring. In the case of Indonesia, the oversight function of financial institutions, apart from the Board of Commissioners, is also carried out externally by the OJK so that the size of Board Commissioners does not affect the company's performance. The results of this study do not confirm previous studies such as Hassan, Rizwal and Sohail (2017) in Pakistan, Hidayat and Firmansyah (2017) in Indonesia, Putra (2015) in Indonesia with different company performance measures namely Tobins Q and Fernandez (2014) who conducted research at EUROSTOXX50.

The third hypothesis which states that the proportion of women as directors has a positive effect on the performance of sharia insurance business units in Indonesia is supported in this study. The ability of women directors to create more open discussions in expressing their opinions, collaborative team and provide different perspective has a positive impact on corporate policy making so that company performance increases (Fairfax, 2006). In addition, female directors are considered to provide an active role and greater power in the company than male directors (Virtanaen, 2012). The result of this study confirms researches were conducted by Sanyaolu, Adesanmi, Imeokparia, Sanyaolu, and Alimi (2017) in Nigerian banking, Ionascu, *et al.* (2018) in Romania, Amore and Garafalo (2016) in the US, García-Meca, Sánchez, and Ferrero (2015), Liu, Xie and Wei (2014) in China and Low, Roberts and Whiting (2015) in Hong Kong, South Korea, Singapore and Malaysia. This is different from the result of research were conducted by Endraswati (2018) on Islamic banking in Indonesia, Kramaric, Aleksic and Pejic-Bach (2018) in the Croatian insurance company, Fekadu (2015) in Ethiopia, Ujunwa *et al.* (2012) in Nigeria, Marinova *et al.* (2010) in the Netherlands and Denmark.

The proportion of women as commissioners does not affect the performance of sharia insurance business units in Indonesia so  $H_4$  is not supported in this study. This can be caused by one of the local factors in

Indonesia namely the culture, where women are more demanding role in domestic affairs than public affairs. In addition, the absence of regulations governing the involvement of women as commissioners in Indonesia causes the portion of women as commissioners to be minimal. This can be seen from the average proportion of women as commissioners for the sharia general insurance business unit is 13% and for other sharia insurance is 16%. The result of this study supports previous research conducted by Marinova *et al.* (2010) in Netherlands and Denmark, Endraswati (2016) in Indonesia, Suhardjanto *et al.* (2016) in Indonesian and Pakistani mining companies, Kramaric, Aleksic and Pejic-Bach (2018) in Croatian insurance companies, and Shabbir (2018) in Italy and meanwhile are different from the results of research conducted by Anderson and Upadhyay (2011) in the US , Dobbin and Jung (2011) in US and Ujunwa *et al.* (2012) in Nigeria.

Based on the results of the study in Table 2 shows that the type of insurance moderates the influence of size board of directors on the performance of sharia insurance business units in Indonesia so  $H_5$  is supported in this study. This shows that the type of insurance that is divided into general and other sharia insurance business units that are part of the sub-industry's characteristics can strengthen or weaken the influence of size board of directors on performance. This is supported by the different nature of the product between general insurance and other insurance (for example life and health insurance). Sharia general insurance business unit is the insurance which provides compensation in the event of a loss in property such as theft and accident, so that the type of sub-industry is more complex when compared to life insurance and health insurance. In addition, this also relates to the duties of directors who have the responsibility of making policies and running the daily operations of the company. Sub industrial type as a moderating variable is also used by Nataraj (2020) with different studies. Nataraj (2020) in his research used a type of bank as a moderator.

This type of insurance moderates the effect of size board of commissioners on the performance of sharia insurance business units in Indonesia as  $H_6$  is not supported in this study. This can be caused by the monitoring function performed by the board of commissioners which does not have difference for the type of sub-industry, especially insurance. This study uses sharia insurance business units a sample in this research so that are relatively small in size and complexity, so that the monitoring function is not as complex as in sharia or conventional insurance. In addition, the function of the Board of Commissioners as monitoring the work of directors is also assisted by an external party namely OJK.

The seventh hypothesis states that type of insurance moderates the influence proportion of women as directors on the performance of sharia insurance business unit in Indonesia is supported in this study. This is due to different nature types of sub-industries, namely the complexity of sharia general insurance business unit and other sharia (life and health) insurance business units are more specific and the role of gender as directors itself in the company. This type of sub-industry as moderating is also used by Memon *et al.* (2019) and Nataraj (2020). Women as directors in the case of sharia general insurance business unit in Indonesia is 14% and for other sharia insurance business unit is 25% based on the descriptive statistics in Table 1. The minority of women as directors is seen as a challenge to completing their duties properly. This is one of the triggers for increasing company performance.

Furthermore, the latter for  $H_8$  which states that the type of insurance moderates the influence proportion of women as a board of commissioners on the performance of sharia insurance business unit in Indonesia is not supported in this study. This can be caused by the monitoring function carried out by the Board of Commissioners for sharia insurance business units with different types of sub-industries sharia insurance are not found differences. This means that monitoring on the sharia general insurance unit and other sharia insurance units (life and health) is the same. The proportion of women as a Board of Commissioners is still small with an average of 13% for the sharia general insurance business unit and 16% for other sharia insurance business units so that it has not made yet a significant contribution in terms of monitoring. The monitoring function of the Board of Commissioners is generally assisted by external parties, namely OJK and external auditors.

## CONCLUSIONS

Based on the results of the analysis in this study, it can be concluded that insurance companies are required to meet the rules regarding the minimum size of directors and commissioners are determined by OJK. Sharia insurance business units should be careful when adding the number of the board directors because based on this study the greater size of the directors, the lower the performance of sharia insurance business unit. This can be caused by the bigger size of the boards, the bigger agency problem that will arise. Furthermore, the bigger size of the boards means that there are difficulties to coordinate and make an agreement because the differences in perspectives. The results of this study also indicate size Board of Commissioners should



refer to the regulations are formulated by OJK because the addition number Board of Commissioner in this study does not affect the performance of the sharia insurance business unit.

Meanwhile, the proportion of women as directors needs attention, even though it has not been regulated in the OJK regulation regarding the percentage of women as directors, it is better for sharia insurance business units to consider the portion of women's contributions as directors on company performance. Because based on this study the proportion of women as directors has positive effect on the performance of the sharia insurance business unit. This is due to the ability of female directors to create more open and collaborative discussions and to be able to provide different perspectives. This ability has a positive impact on company policy decision so the performance of sharia insurance business unit will increase. In addition, female directors have an active role and are more accustomed to do multitasking work than male directors. This is also supported by the nature of a woman who is gentle but can also be strict with her subordinates so that it can motivate her subordinates to be better. The result is different from the proportion of women as commissioners which is not proven to affect the performance of sharia insurance business unit.

The results of this study also show that the type of insurance moderates the influence of the size board directors and the proportion of women as directors on the performance of sharia insurance business units in Indonesia. The type of insurance with the different products offered and the different business characteristics can strengthen or weaken the influence of size board directors and the proportion of women as directors to the performance.

Further research is still open on the topic of board governance with different characteristics, different performance measures of sharia insurance and different methodology. For the case in Indonesia itself, as far as researchers know, not many researchers have conducted research on sharia insurance and then compared it with other countries.

### **LIMITATIONS**

The limitation of this study is the number of independent variables are used, namely the size of directors, the size of the Board of Commissioners, the proportion of women as directors and the proportion of women as commissioners. Other board characteristics have not been used in this study. In addition, this research is limited to sharia insurance business units in Indonesia and has not yet examined on a broader scale.

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Board  
Characteristics,  
Type of Insurance

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**281**

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## Appendix

### Classical Assumption Test Results

Test of Normality	Pooled Data		Other Insurance	General Insurance		
<i>Kolmogorov Smirnov Z</i>	1.766		1.510		1.024	
<i>Sig</i>	0.84		0.55		0.245	
<b>Test of Multicollinearity</b>						
<i>UD (Tolerance Value &amp; VIF)</i>	0.844	1.185	.843	1.186	0.751	1.331
<i>UDK (Tolerance Value &amp; VIF)</i>	0.960	1.042	.982	1.018	0.908	1.101
<i>GD (Tolerance Value &amp; VIF)</i>	0.917	1.090	.818	1.222	0.706	1.416
<i>GDK (Tolerance Value &amp; VIF)</i>	0.884	1.132	.853	1.172	0.636	1.571
<i>Dependent Variable: RBC</i>						
<b>Test of Autocorrelation</b>						
Durbin-Watson	2.038		2.231		2.423	
<i>Dependent Variable: RBC</i>						
<b>Test of Heteroscedasticity</b>						
<i>UD (t value &amp; Sig)</i>	2.320	0.122	-4.215	0.070	-0.667	0.507
<i>UDK (t value &amp; Sig)</i>	1.083	0.281	-0.952	0.345	0.908	0.367
<i>GD (t value &amp; Sig)</i>	-4.969	0.680	2.693	0.089	0.755	0.453
<i>GDK (t value &amp; Sig)</i>	-2.490	0.084	-0.806	0.424	-0.737	0.464
<i>Dependent Variable: LnU2i</i>						