

**EXPLORING THE MODERATING ROLE OF BOARD SIZE ON THE NEXUS
BETWEEN ENTERPRISE RISK MANAGEMENT AND FIRM PERFORMANCE:
EVIDENCE FROM SRI LANKAN INSURANCE COMPANIES**

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ABSTRACT

Modern businesses face escalating demands to handle their loss exposures effectively, prompting companies to adopt a more integrated and holistic approach embodied by Enterprise Risk Management (ERM). Beyond its role in risk management, many researchers have observed that ERM also influences companies' financial performance. Although Agency Theory has established the direct effects of ERM on firm performance, empirical findings on the relationship between ERM and firm performance still need to be conclusive. Thus, this research investigates whether board size moderates the relationship between ERM and firm performance using resource dependency theory as a theoretical foundation in the context of Sri Lankan insurance companies. The study involved 28 insurance companies overseen by the Insurance Regulatory Commission of Sri Lanka. Employing a purposive sampling technique, the study focused on a sample of 15 companies, ensuring that complete data were available for the variables assessed during the study period. This study followed the deductive approach, and quantitative secondary data were collected from companies' published annual reports from 2012 to 2022. Return on Assets (ROA) is a proxy for measuring firm performance. Simultaneously, ERM is assessed through an index that evaluates corporates' effectiveness in achieving organizational objectives related to strategy, operations, reporting, and compliance. The study employed panel regression analysis using EViews software. The results revealed that ERM significantly and negatively affects firm performance, whereas board size moderates the impact of ERM on firm performance. This study provides valuable insights to insurance companies and regulatory bodies, deepening their understanding of how ERM and board size influence insurance firms' financial performance.

Keywords: Board size, enterprise risk management, firm performance, insurance companies