

BOARD COMPOSITION AND FINANCIAL PERFORMANCE OF MANUFACTURING AND ALLIED FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

The board's role is to protect the shareholder's interest; their allegiance is to the shareholders by protecting their assets. Therefore, the board's leadership and performance greatly influence the corporate bodies' monetary. The listed manufacturing firms' performance has been declining over time. With board composition having potential attributes to the performance of various organizations, there has been various performance indication in the manufacturing firms traded in the NSE with companies like Mumias having extremely poor performance. This can be seen in the reported earnings after tax in 2019, which were Ksh12.16 million, while the same company had after-tax profits of Ksh13.04 million in 2016. This indicates a reduction in the monetary profitability of the sector. In 2014 Mumias Company recorded a return on assets to be 2.5% in 2014, a decrease to 0.6% in 2015, and a further decline to 0.02% in 2015. Similarly, the return on equity of East African Breweries was recorded to fluctuate from 0.6% in 2014 to 0.5% in 2015 and 0.7% in 2017. The project examines the board composition consequences on manufacturing companies' monetary performance traded at

the NSE. The aim is to evaluate board diversity's impact on the board's size, gender, independence, and education on the monetary efficiency of the manufacturing organizations traded in NSE. Agency, stakeholders, and resource dependence theories will be used. As a result of the small numbers, a census approach will be employed. Using various descriptive statistics, the collected Panel secondary data from the monetary reports and monetary statements after audits will be used and analyzed to give the findings on how their boards' composition impacts the companies' financial performance. Multiple regression and interdependence analysis will also be employed for concise and effective analysis. The hypotheses testing will be based on multiple regression techniques. This will be guided by a threshold of 0.05 significant level using stationary, auto interdependence, normality, heteroskedasticity, and multicollinearity tests. The study will be subjected to all ethical guidelines in Kenya, with the results displayed in tables.

Key Words: Board Composition, Financial Performance, Nairobi Securities Exchange.

INTRODUCTION

Background of the Study

With the global economic expansions, Indonesia, China, and India have been ranked top of the international manufacturing rankings, making them among the global fifteen largest manufacturing economies (MGI, 2017). With 22% of the world's manufacturing output, China has the most significant industrial economy in the world. Among the most essential cornerstones of economic growth is the manufacturing industry. Both developed, and emerging economies rely heavily on the industry. As per the added gross value assessment, there has been a continuation in the industrial output expansion at 2.7 % in developed economies and 7.4% in developing global economies. The

sector provides anywhere from 10% to 33% of total value added (UNIDO, 2013). The United States is second in the manufacturing industry, having a 17.4 % of manufacturing production (MAPI, 2016). With the PMI surveys, there has been a robust APAC market impetus at the beginning of 2021, making the Asia-Pacific manufacturing industry experience a significant uptick. In 2021, APAC experienced a growth in the Growth Domestic product to 5.8%, which enhanced high efficiency in production activities that year (PMI Research and Analysis, 2021).

The manufacturing industry in Africa is usually regarded as the best industry to propel the continent's growth. The Africa Progress Panel (2017) also considers some advanced manufacturing a requirement for the continent's continued strong economic growth. Only 1.5% of the world's manufacturing output is produced on the continent (World Bank, 2018). In addition, manufacturing contributes to only about 25% of shipments in Sub-Saharan Africa, which is the lowest of any area except Mediterranean Africa (WEF, 2017a).

According to statistics from 2022, the Gross Domestic Product of Nigeria in 2020 was \$400 billion. The manufacturing industry generated about a third of the country's GDP. The credible contribution was from the tobacco, beverage, and food sector, accounting for 4.75% of the country's GDP in 2020 (Statistical, 2022). Only 13.3% of the labor force and 15% of the GDP in South Africa are employed in the country's manufacturing sector, which makes up little of the country's economic output. However, other industries, like the space sector, are growing. Compared to most other developing countries, labor costs are low but not as low as they are for transportation, communications, and general living expenditures. (Monthly tourism statistics June 2017).

Kenya's manufacturing industry is stronger than countries with equivalent economic growth stages. In Sub-Saharan Africa, the country is among the leading exporter of manufactured products (KPMG, 2016). This is a result of Kenya's government's ambitious development objectives, which are intended to accelerate the economic expansion of the industrial sector. The Kenyan government first produced Vision 2030 in October 2007, calling for a yearly 10% rise in manufacturing-related economic development (The Republic of Kenya, 2007). The Kenyan government's vision for 2030 aims to enhance the country's manufacturing activities, which will likely lead to modernization and the creation of the second mid strategy (KIRDI, 2011). The Kenyan government then established the Millennium Development Goals (MDGs) to accelerate Kenya's transition into a fast-emerging industrial, middle-income country by 2030 (Purhonen & Mburu, 2016).

Composition of the Board

The board composition concept has garnered considerable attention in the previous three decades. To enhance business performance, listed firms have acknowledged the need to form competent boards of directors, especially in recent decades. Boards have gotten the legal standing and shareholder motivation to monitor CEO decision-making for a long time (Beekes, 2016). Boards of directors with relevant expertise, skills, and talents can provide organizations with distinct strategic and tactical benefits (Finkelstein & Hambrick, 2003). They can help a company succeed in three ways: towards resource responsibility, enhanced access to essential external funding, and service role. They also give valuable advice to executive administrators and in the control responsibility.

Moreover, they establish governance monitoring and decide executive incentives and rewards (Chatterjee & Harrison, 2017). However, the boards need monetary resources affected by the company's capital structure to achieve these roles. Board composition hence refers to the various specific characteristics of members of company boards which cut across gender diversity, size, educational diversity and independence of the board.

Financial Performance

Financial performance measures an organization's success in terms of its adopted strategy, objectives, and all associated activities. A firm's monetary health can be comparable to those in the same industry (Agola, 2017). Monetary performance is an important aspect of an organization and can be determined by the competition, corporate potential, management's monetary welfare, and the consistency of present and prospective contracts (Dufera, 2018).

The word is also used to indicate a business's performance over time. It can also be applied in evaluating various companies within the same sector besides the assessment of industries in aggregate. There are many ways to evaluate the company's performance, but they all must be considered together. Sales figures and line items like operational, cash flow, and profit revenues might be employed (Njeru, 2016).

The corporate performance metrics are measured using various profitability measurements such as gross margin and net margin. Moreover, various indicators like historical revenue growth and cash flows are employed for measuring the cash flow metrics. The organization's performance can be determined by cash flows, growth, and profitability (Kiaritha, 2017).

Accounting variables like return on equity (ROE), return on investment (ROI), and return on assets (ROA) are preferred by management scholars as performance measurements. The net interest margin variable's value is achieved by dividing net asset income by the total assets. Okiro (2016) states that net interest margin and before-tax profit/total assets are significant monetary performance indicators. Accounting rates of return are often measured in earlier studies. These metrics could be used for managerial performance assessment, like the successful application of assets in generating accounting returns (Memba, 2017).

Nairobi Securities Exchange

The primary stock market in Kenya was the Nairobi Securities Market (NSE), formerly known as the Nairobi Stock Exchange when it was still a British colony in 1954. It is the fifth biggest stock exchange organization in Africa in terms of market coverage, as determined by the Capital Markets Authority, and the fourth largest in terms of trade (Iraya & Musyoki, 2017; Musiega et al., 2016). Founded in 1990 in the IPS building, the NSE's corporate offices and trading floor were moved to the Nation Centre Nairobi in 1994. Since then, there has been substantial improvement, including automatic trading in 2006. In 2007, distant trading was introduced, eliminating the need for traders to be personally available at the NSE to trade stocks. Moreover, there was also an increase in the

trading time from two to six hours, which enhanced the firm's efficiency and market analysis capabilities.

Statement of the problem

The sector is critical to achieving Kenya's Vision 2030. The manufacturing sector has decreased over time. The Federal Board's industrial output index showed a 2.3% increase in manufacturing activity in 2016 from 3.9% in 2015 (MAPI, 2017).

There has been a significant loss of money to various companies, including Mumia Sugar, closing their operations, Eveready East Africa, and Carbacid Investments Ltd, East Africa recording multiple losses attributed to poor financial performance besides having negative ROA and ROE. For instance, Mumias Sugar faced monetary difficulties due to a lack of operational cash despite the government's assistance. Moreover, there has been a negative difference in the manufacturing rate and the economic output, lowering the company's performance. As a result, it is possible to argue that Kenya is experiencing a premature economic decline in an environment where manufacturing and industry are still developing. Therefore, the board composition's impact on the listed manufacturing organization's monetary performance must be considered.

Chijoke-et al. (2020) and Aladejobi (2020) conducted their study in Nigeria, which reflects a contextual gap. Moreover, a study by Khan (2019) focused on board size's effect on trading in UK firms. In addition, Noja et al. (2021) utilized a monetary econometric paradigm for analysis, posing a methodological gap just like the study conducted by Okoye et al. (2020), which also utilized an ex-post-facto research design. Ogboi and Aderimiki (2018); Kabara and Modibbo (2020) used Tobin's Q to measure monetary performance in identifying contextual gaps.

Due to the variations in culture and economic conditions of the two countries, findings from the previous are therefore limited. Also, some studies focused on the monetary sector, where commercial banks were primarily considered. In contrast, this study will be on Kenya's manufacturing and allied sector, which is earmarked to make a significant contribution to the Vision 2030 of the country. Given the shortcomings above, this study uses a straightforward research methodology using ROE to assess monetary performance to analyze the consequences of board composition on the monetary results of manufacturing organizations traded in Nairobi Security Exchange. The research will also employ panel data and the panel regression technique for high efficiency.

Objectives of the study

General Objectives

The study's primary goal is to analyze the effects of board composition on the monetary results of manufacturing businesses showcased on the NSE.

Specific Objectives

- i. To evaluate how board size affects the financial performance of manufacturing companies listed on Kenya's Nairobi Securities Exchange.
- ii. To assess how gender diversity on boards affects the financial performance of manufacturing companies listed on Kenya's Nairobi Securities Exchange.
- iii. To ascertain how board independence affects the financial performance of manufacturing companies listed on Kenya's Nairobi Securities Exchange.
- iv. To assess how board education diversity affects the financial performance of manufacturing companies listed on Kenya's Nairobi Securities Exchange.

Organization of the study

This study was organized into introduction (a description of the key areas of the study), the theoretical and empirical review, research methodology, research findings and discussion, conclusions and recommendations of the study.

THEORETICAL REVIEW

Theory of Agency

The theory demonstrates the agency connection between managers and stakeholders. An agency relationship entails an arrangement whereby a principal appoints an agent. Berle & Averages (1932) are credited with carrying out the initial work in agency theory. They uphold the view that corporate governance devotes its attention to the division of ownership and management. The Board of Directors has essential responsibilities in ensuring the organization's success. It is responsible for the ultimate decisions made in the organization. It has a moral and professional duty to minimize the agency issue via effective systems for approval, ratification, and punishment. The modern organization is quite large, and not straightforward for the owners of capital to adequately and efficiently utilize management using some traditional approaches (Berle & Averages, 1932).

The Board and the CEO are the agents, while the shareholders are the principal. Along with providing rights that the board and CEO should respect, appreciate, and uphold, the company's shareholders have delegated power to be involved in decision-making. Moreover, the board must be open with shareholders and reveal specific facts about its activities. Anderson (1985) noted that "Agency theorists present people as players who utilize some situations that arise to take advantage, who rationally maximize their usefulness and are focused on external rewards, even to the detriment of others." According to Berle & Averages (1932) "the agent and principal both desire individual benefits with less regard to the other party. When the principal and agent's interests are inconsistent, the principle often generates the agency cost. The principal, who ultimately loses out on the optimality stakes, restrictively attributes opportunism to these agents. The agency theory supports board size and financial performance nexus.

Stakeholders Theory

The Stakeholder Theory was initially expressed by Ansoff (1965). The theory was defined as the objectives of firms to imbibe, amongst others, as well as the reconciliation of conflicting interests of stakeholders. R. Edward Freeman (1984) also gave basic details about the stakeholder theory in his book "Strategic Management." Stakeholder theory involves the management of an organization and the business's ethics or values, which aims to address the core values and morals when managing an organization. The stakeholders of a company refer to its owners, and each firm has to be able to prioritize its needs to attain value increase.

Stakeholder theory further argues that other parties, including the employees, suppliers, communities, and customers are also responsible and involved. The stakeholder theory is entirely managerial, recommending practices and ways constituting stakeholder management. A firm's nature has been described using the idea in specific ways. (Brenner & Cochran, 1991). The stakeholder theory uses descriptive and empirical data to identify the ties or loose ends between stakeholder management and traditional corporate objectives management, such as firm growth. Multiple efforts have been made to reach the social welfare establishment consensus that has not been an attribute of the stakeholder theory (Jones & Wicks, 1999). The theory supports the dependent variable, which is monetary performance.

Theory of Resource Dependency

American business theorist Jeffrey Pfeffer and American organizational theorist Gerald (1978) proposed the Resource Dependency Theory. The Resource Dependency Theory concept was first published in "The External Control of Organizations Research Dependence Perspective." Resource Dependency Theory states that organizations generally require resources to keep them going and keep being in existence over a long period. The theory further states that the resources required to sustain the organization are only obtained from its environment. Averagewhile, other organizations in that environment will require the same resources (Pfeffer & Salancik, 1978). Resource Dependency Perspective opined that units are differentially essential and valuable in dealing with crises resulting from their external environment.

The theory has been heavily incorporated into the profit and non-profit arenas' organizational strategy. It serves as a better fit for the effects of the environment on the organization, the organization's efforts in managing several environmental issues, and how the issues relating to the environment affect the organization-wide dynamics within (Pfeffer and Salancik, 2003). Resource Dependency Theory grants an externally detailed view of why firms acquire other firms. The theory was criticized for indiscrimination between power imbalance, ambiguities, and theoretical predictions.

Empirical Literature Review

Studies on the size, independence, gender diversity, independence, education diversity, and ethnic diversity of a board about monetary performance will all be covered in this area.

Conceptual Framework

The link between board size, board gender diversity, and board independence—the independent variables—and monetary success as evaluated by ROE—the dependent variable—will be visually represented by the theoretical framework.

Independent Variables

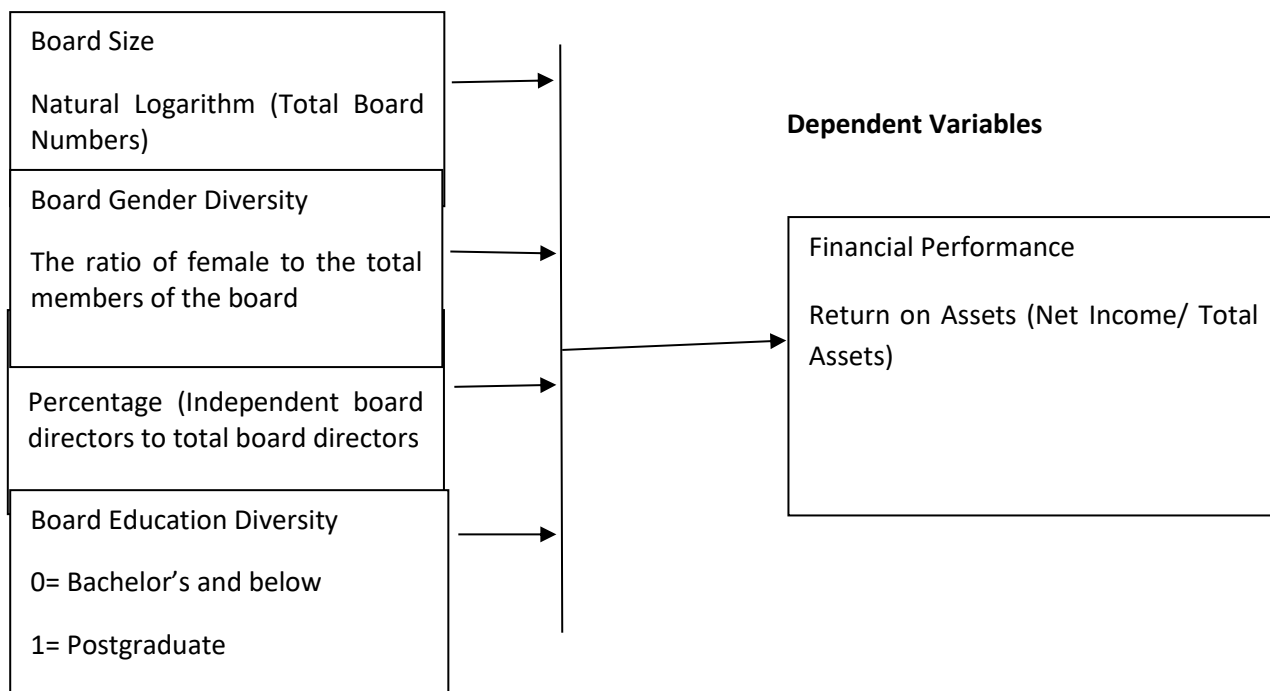


Figure 2.1: Conceptual Framework

RESEARCH METHODOLOGY

Research methodology entails the procedures used to identify, process and analyze information concerning a research topic. It contains the types of data collected for the research, which can be qualitative, quantitative, or mixed (Taherdoost, 2022). In addition, it also entails the data collection strategies adopted in the research for high, efficient, and precise analysis. An efficient research methodology is essential for high-quality data and well-presented findings, thereby enhancing the efficiency of the research. This is because methodology gives research legitimacy besides providing detailed and scientifically sound findings. Moreover, it gives a detailed plan that is important in keeping track of the research process, making it smooth. However, selecting a research method is as per the statistical significance, the objective of the research, and its nature.

Data Analysis

The research aimed to analyze the consequences of board composition on the financial performance of the firms traded in NSE. To achieve the goal, a statistical analysis was conducted for the nine manufacturing and allied organizations traded in NSE for five years. Therefore, this chapter gives an insight into the findings of the paper.

Illustrative Demography

From the analysis of the nine manufacturing companies, various results were obtained. Only eight companies were analyzed, as one company did not have a five-year financial statement, making the analysis challenging to the specific firm, Kenya Orchards Limited. To deal with the issues of heteroscedasticity, the transformation of the real values to the logarithmic values is essential as it leads to compression of the measured scale, which results in a reduction in the two-fold difference.

Table 4.3 Illustrative Demography

| Illustrative Demography | | | | | |
|-------------------------|---|--------|---------|---------|--------------------|
| | N | Lowest | Highest | Average | Standard deviation |
| GENDER DIVERSITY | 8 | 4.00 | 7.00 | 5.8750 | .83452 |
| CEODUALITY | 8 | .00 | 1.00 | .8750 | .35355 |
| EXTERNALDIRECTORS | 8 | 1.00 | 3.00 | 2.2500 | .70711 |
| INTERNALDIRECTORS | 8 | 3.00 | 4.00 | 3.1250 | .35355 |
| BOARDSIZE | 8 | 1.00 | 10.00 | 5.1250 | 2.85044 |
| ROA | 8 | 28.68 | 75.32 | 3.7188 | 31.58482 |
| Valid N (listwise) | 8 | | | | |

Source: Author generated based on the primary data

Table 4.3 gives the major variables’ descriptive statistics. The numbers represent the average rates for the survey over the five years. The average performance of the firms under the ROA was 37.188%, as per the table above. ROA is a significant tool for a company’s performance assessment. It indicates how profitable a company concerns the total assets. A positive ROA is an indication of good performance. However, the performance may vary from one company to the other. A negative ROA is one of the most frequent doubts often expected when conducting the computation. It indicates that the business is expected to generate losses, which may allow the firm to adjust its operations and increase its profit margin. As for the outside directors, the average proportion is 22.5%, indicating that this board has a high number of internal directors compared to the outside directors. From the companies the board of directors varies from one company to the next. The board size differs from the smallest number of three and the largest of twelve directors, with an average of 5.125. Not all of the sampled eight companies have a separation between the Board Chairperson and the Chief Executive Officer. However, per the CMA 2002 corporate governance guidelines, CEO duality execution is discouraged. In the firms, the average number of female CEOs is relatively high compared to back then. The gender diversity for the board members is 5.87, the lowest number being four females. This is a relative improvement to the board’s gender diversity. This suggests a significant improvement in the female on the board, enhancing gender equity. The global rate of women representation is at 23%; however, Kenya has 36% of women in the boardroom, a significant increase of 15% from 2017 (Kenya Institute of Management, 2021). Effective performance of the organizations enhances their operations and profitability as illustrated in the appendix.

Test of Hypothesis

Various assumptions are required in regression analysis, including independence errors, normality, and linearity errors. Moreover, the stationarity and multi-collinearity test must be conducted with panel data before the data is subjected to regression analysis. When these assumptions are not considered, the parameter coefficients have untrustworthy interference attributed to the significance and standard error-biased estimates.

Tests of Errors

The error terms were tested using the JB test. From the test, there were no significant levels above the p-value of 0.005, implying no difference in the errors from the normal distribution.

To test for linearity, the regression parameters are often assumed to be expected if the paradigm relates to the response variable. The linearity was tested by plotting the residual against the values predicted by the response variables, where the relationship took a linear form as an indication of the linearity. Durbin-Watson statistics was employed to check the auto interdependence with the null hypothesis not having the residual interdependence to test the independence of the errors.

For the assessment of the multi-collinearity, variance inflation factor and tolerance were employed. As per the model, tolerance below 0.10 or a VIF larger than 10 and an interdependence coefficient larger than 0.8 are considered significant issues. All the values as displayed in the table below, were within the range, thereby being significant for the test.

Table 4.5 Diagnostics of Collinearity

| Paradigm | Solecistic Coefficients | | Homogenized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|--------------------|-------------------------|------------|--------------------------|--------|------|---------------------------------|--------------|-------------------------|-----------|
| | B | Std. Error | | | | Beta | Bottom Bound | Higher Bound | Tolerance |
| 1 (Constant) | 31.463 | 237.698 | | .132 | .907 | -991.270 | 1054.197 | | |
| GENDER DIVERSITY | -16.827 | 22.065 | -.445 | -.763 | .525 | -111.763 | 78.109 | .507 | 1.971 |
| CEO DUALITY | -3.805 | 74.492 | -.043 | -.051 | .964 | -324.317 | 316.707 | .248 | 4.033 |
| EXTERNAL DIRECTORS | -40.983 | 32.998 | -.918 | -1.242 | .340 | -182.962 | 100.996 | .316 | 3.165 |
| INTERNAL DIRECTORY | 43.262 | 59.795 | .484 | .724 | .545 | -214.015 | 300.540 | .385 | 2.598 |
| BOARD SIZE | 4.687 | 7.926 | .423 | .591 | .614 | -29.415 | 38.790 | .337 | 2.967 |

Table 4.4 Test for multi-collinearity

| Diagnostics of Collinearity ^a | | | | | | | |
|--|-----------|------------|-----------------|----------------------|----------|-----|--------|
| Paradigm | Dimension | Eigenvalue | Condition Index | Variance Proportions | | | |
| | | | | (Constant) | Eveready | BAT | Mumias |
| 1 | 1 | 2.434 | 1.000 | .03 | .01 | .01 | .02 |
| | 2 | 1.200 | 1.424 | .02 | .02 | .00 | .33 |
| | 3 | .334 | 2.701 | .40 | .04 | .00 | .59 |
| | 4 | .033 | 8.654 | .55 | .94 | .99 | .07 |

Composition of the Board in relation to financial performance

Interdependence of Financial Performance and Board Composition

Table 4.6 Interdependence of Financial Performance and Board Composition

| Interdependences | | | | | | | |
|--------------------|-------------------------|------------------|------------|--------------------|--------------------|------------|--------|
| | | GENDER DIVERSITY | CEODUALITY | EXTERNAL DIRECTORS | INTERNAL DIRECTORY | BOARD SIZE | ROA |
| GENDER DIVERSITY | Pearson Interdependence | 1 | -.061 | -.424 | .545 | -.473 | .010 |
| | Sig. (1-tailed) | | .443 | .148 | .081 | .118 | .490 |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |
| CEO DUALITY | Pearson Interdependence | -.061 | 1 | .714* | .143 | .443 | -.414 |
| | Sig. (1-tailed) | .443 | | .023 | .368 | .136 | .154 |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |
| EXTERNAL DIRECTORS | Pearson Interdependence | -.424 | .714* | 1 | -.143 | .408 | -.656* |
| | Sig. (1-tailed) | .148 | .023 | | .368 | .158 | .039 |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |
| INTERNAL DIRECTORY | Pearson Interdependence | .545 | .143 | -.143 | 1 | -.585 | .120 |
| | Sig. (1-tailed) | .081 | .368 | .368 | | .064 | .389 |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |
| BOARD SIZE | Pearson Interdependence | -.473 | .443 | .408 | -.585 | 1 | -.043 |
| | Sig. (1-tailed) | .118 | .136 | .158 | .064 | | .460 |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |
| ROA | Pearson interdependence | .010 | -.414 | -.656* | .120 | -.043 | 1 |
| | Sig. (1-tailed) | .490 | .154 | .039 | .389 | .460 | |
| | N | 8 | 8 | 8 | 8 | 8 | 8 |

*. Interdependence is significant at the 0.05 level (1-tailed).

Source: Author Generated based on the primary data

The goal of the computation is to verify interdependence between gender diversity and the organization's monetary performance, which may affect the results. Therefore, a Pearson interdependence test ensures that the specification errors do not drive the paradigm. Table 4.4 shows significant interdependences between the dependent and the maverick variables. The analysis shows

a positive alliance between the return on assets and CEO duality, gender diversity, size of the board, and the administrative directors. The Pearson interdependence table shows insignificant interdependence between the return on assets and the board size ($r=-.043$, $p>0.05$). The CEO duality and the size of the board were positively correlated ($r=.443$, $p<0.05$), with ROA having a positive interdependence with gender diversity, as illustrated in Table 4.4.

Referring to the population regression, the study checks if a good relationship exists between the companies' performance and the liberated variables. From the two-tailed test, the hypothesis indicates that there is no adequate alliance between the financial performance of the firms and the gender disparity. The second hypothesis shows no adequate alliance between the monetary performance of the firms and their gender disparities. From the above $p<0.05$, we fail to reject the null hypothesis as there is no significant interdependence between the firm's gender diversity and CEO duality with their financial performance.

Conclusion and Recommendation

Despite the global change in workspace diversity, women's empowerment is still debatable. There have been various fluctuations in the current workspace compared to decades ago, with women being highly educated and assuming high-level organizational roles. They have headed highly impactful positions in organizations that have shown their abilities. However, women are still prevented from reaching higher positions due to the glass ceiling and traditional views towards women. The chapter gives an insight into the discussion of the findings derived from the study results. Moreover, the chapter also presents the research limitations in the data collection process and recommendations.

Findings and Conclusion Summary

The objective of the research is to analyze the interdependence between the financial efficiency of manufacturing firms and the board composition of these firms. Eight firms listed in the NSE were analyzed for five years to achieve the objective, with their monetary performance and board composition being compared. The results show adequate positive impacts attributed to the board's size on a firm's financial efficiency. Moreover, there is no significant relationship between the composition of the board and the financial performance. The duality of the CEO and gender diversity have no adequate potential economic value besides enhancing efficiency and promoting working space diversity. As for the independence of the board, there are positive impacts on the financial performance of the firms and indications that there should be a high number of independent boards for high efficiency and adequate monitoring of the firm's performance. This is per the agency theory, which advocates for independent directors to be perceived as significant overseers. Independence of the board of directors promotes their financial expertise exercise, which in turn promotes a high performance of the firms (Raimo, 2021; Bzeouich, Lakhel & Dammak, 2019). However, despite gender diversity not adequately affecting the performance of the firms, it is important to promote gender balance in the board position. A Diverse board can make a more informed decision due to the members' varying perspectives and the members' different levels of expertise.

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