EXAMINE THE RELATIONSHIP BETWEEN BOARD DIVERSITY AND FINANCIAL PERFORMANCE OF FIRMS IN THE JOHANNESBURG STOCK EXCHANGE

by

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[redacted]

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DEDICATION

I dedicate this mini-dissertation to my late father, Mr. Moyahabo Daniel Manoko and my mother, Mrs. Nare Annetjie Manoko.

DECLARATION

I hereby affirm that my work, "Examine the relationship between board diversity and financial performance of firms in the Johannesburg Stock Exchange," is original to me, has never been submitted to another university, and all references to sources used or quoted are included.

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Manoko NNH (Ms) 03 April 2024

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ABSTRACT

Conventional wisdom in the business world suggests strongly that organisations or firms led, managed and controlled by directors from different or diverse backgrounds and orientations often obtain fruitful outcomes. A large number of researchers and authors strongly argue that diversified personnel within an organisation or a company's board of directors (BoDs), tends to increase chances of success in that business. Such success is due, several researchers contend, to the diversity in the staff, especially those at the board level. Despite that widely held view and assertion, the question remains as to how companies with high diversity levels of among directors became better equipped to succeed in their fiduciary duty than those with low diversity boards. As such, this investigative study, aimed to analyse the correlation between board diversity and the achievement of favourable financial outcomes in companies listed on the Stock Exchange of Johannesburg. To ascertain the nature and extent of the influence of diversity as an important factor in company financial performance and success, the quantitative model of correlational research design was used. Five banking businesses that were chosen for the study's sample were listed on the JSE between 2018 and 2022. These banks were found to be extremely successful in doing their business. The conclusion the study could draw was that there is no correlation between board diversity (gender, race and profession) and financial performance (net profit).

Keywords: Board diversity, financial performance, firms, Johannesburg Stock Exchange

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LIST OF ACRONYMNS

BoDs	Board of Directors
ESG	Environment Society and Governance
IRESS	Integrated Real-time Equity System
JSE	Johannesburg Stock Exchange
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
RSA	Republic of South Africa
SDGs	Sustainable Development Goals
TREC	Turfloop Research Ethics Committee

CHAPTER ONE: BACKGROUND OF THE STUDY

1.1 INTRODUCTION

In recent times, the question about increasing diversity by employing people from different backgrounds has gained considerable concern or attention in most companies and businesses (Hassan, 2018; Khatib, Abdullah, Elamer & Abueid, 2021). The latter authors contend that diversity within the management structures, like a board of directors (BoDs), has an important bearing on the short-term and long-term value and success of a company.

Other writers have similar arguments when they state that diversity in management and/or business governing structures enhances autonomy and elevates the standard of decision-making (Gomez & Bernet, 2019; Agyemang-Mintah & Schadewitz, 2019). It therefore does appear that the diversity in the personnel of an organisation, particularly at the management and board level, is beneficial to a company’s success.

Since business success is measured in terms of its performance on the stock exchange, it seems reasonable to take into account any company’s diversity quotient and compare it to its financial success. Therefore, the researcher focused on factors associated with embracing diversity across gender, race, occupation and skills. The study aimed to explore the potential correlation between the diversity within a BoDs and a company's financial performance, examining the extent to which diversity might influence the financial success of the company.

1.2 PROBLEM STATEMENT

The absence of diversity in governing bodies could potentially result in adverse financial effects for an organisation. As per the King IV Report, it is advised that a company's governing body should encompass a balanced mix of skills, knowledge, independence, and diversity to effectively and impartially fulfil its administrative duties and responsibilities (Institute of Directors of Southern Africa, 2017).

In early 2022, Tongaat Hulett, South Africa's primary sugar producer, admitted to historical practices of artificially inflating profits that did not reflect the company's actual business performance. Similarly, Steinhoff faced a financial scandal in 2017 resulting in substantial financial losses (Song, Yoon & Kang, 2020). Through examining these cases, the study aims to provide crucial insights into the necessity of diversity in corporate governance for sustaining organisational integrity and financial performance on the Johannesburg Stock Exchange.

The complete Price Waterhouse Coopers report on misconduct by Steinhoff remains undisclosed, but it's established that the company exaggerated its revenues and assets by R250 billion. Notably, the company's governing bodies had a predominant representation of white individuals, lacking proper racial balance. Consequently, the lack of independence and a flawed decision-making process at Steinhoff suggests that the company's executives struggled to make unbiased and equitable decisions due to the lack of diversity within its governing body. There were undisclosed connections between the company and firms associated with the former CEO, Markus Jooste, and his associates (Du Toit, 2019). In the case of governing bodies like Steinhoff, there were only two female members out of fifteen, indicating a lack of diversity, as noted by the researcher (van Vuuren, 2020). The significant gender imbalance, where thirteen out of fifteen members were male, might have led to the undermining of female perspectives and potentially contributed to the occurrence of scandalous acts. Consequently, the imbalance in gender diversity at Steinhoff likely played a role in the financial scandals that occurred. Therefore, the study established a connection between the advantages of board diversity and a company's financial performance.

1.3 THE PURPOSE OF THE STUDY

1.3.1 Aim

The research aimed to investigate the correlation between the diversity of board of directors and monetary outcome.

1.3.2 Objectives

- To analyse the correlation between diversity of gender among board of directors and net profit.
- To assess the association between racial diversity on the board of directors and net profit.
- To examine the link between professional diversity on the board and net profit.

1.4 RESEARCH QUESTION

- How does board gender diversity influence net profit?
- How does the racial diversity of a board influence net profit?
- What is the influence of board professional diversity on net profit?

1.5 SIGNIFICANT OF THE STUDY

This research could expand the existing knowledge base and provide guidance for policymakers creating diversity management policies aimed at achieving enhanced and sustainable financial outcomes. Scholars, policymakers, and practitioners with an interest in understanding the relationship among BoDs’ variety and financial outcome could find valuable insights and recommendations in this study. Particularly, those focused on financial institution listed on the JSE in the Republic of South Africa (RSA) might benefit. This research could also support projects addressing financial mismanagement. Additionally, there is potential for filling research gaps related to diversity within corporate governance bodies. Legislators within the Treasury, South African Police Services, and other governmental divisions dealing with finances could draw insights from this study's recommendations, especially in the context of existing anti-corruption policies.

1.6 DESCRIPTION OF KEY CONCEPTS

- Diversity

The concepts of inclusion and diversity (D&I) are closely linked. According to Hamp, Ryan, and Carreras (2020), "diversity is the mix." However, making this blend effective necessitates inclusion. Diversity refers to allowing participation from individuals of various backgrounds, while inclusion involves active engagement and participation. Additionally, it is noted that diversity can be mandated and regulated, while inclusion is a result of voluntary efforts (Winters, 2014). Inclusion assesses the perceived value that individuals experience as members and contributors within an organisation, whereas diversity encompasses the demographic makeup of teams (Robertson & Perry, 2022).

- Financial performance

Financial performance serves as a metric indicating a company's efficacy in utilising its assets within its core operations to generate revenue. It also serves as a thorough indicator of a firm's long-term monetary stability. Investors and analysts in similar industries often use this measure to compare firms. Assessing a firm's financial performance enables investors to gauge its overall health, offering insights into its economic status and managerial efficiency. The Form 10-K, an annual requirement for publicly traded companies, plays a pivotal role in disclosing a firm's monetary performance. Annual reports like the comprehensive statement of income, cash flow declarations, and statement of financial position are essential in evaluating a company's overall financial health. Quantitative benchmarks used to gauge financial performance are diverse, and it is crucial to consider multiple metrics rather than relying on a single one to evaluate a firm's monetary well-being.

- Profit after deducting all expenses and taxes (net profit)

Net profit, also known as total comprehensive income, represents a company's earnings after subtracting costs such as the cost of goods sold, expenses, depreciation, amortisation, interest, and taxes during a specific accounting period. The calculation involves deducting all costs and liabilities from total income and profits within the designated timeframe. Essentially, it represents the overall growth in the value of a company's ownership stake that is generated by its business activities. This figure is distinct from gross revenue, as it solely subtracts the cost of products sold from income.

- Johannesburg Stock Exchange

The Johannesburg Stock Exchange (JSE) Limited is the largest stock exchange in Africa, located in Sandton, Johannesburg, South Africa. In 2003, the Johannesburg Stock Exchange (JSE) had around 473 listed companies, with a market capitalization of roughly US$182.6 billion (€158 billion). The minimum monthly traded value was about US$6.399 billion (€5.5 billion). In March 2022, the market capitalisation of the JSE had a significant increase, reaching over US$1.36 trillion. The JSE functions as a platform for the exchange of securities in South Africa (Johannesburg Stock Exchange, 2020).

1.7 RESEARCH LIMITATIONS

The study's conclusions were restricted to the specific banks included in the research, namely: Amalgamated Banks of South Africa Limited (Absa Bank), Capitec Bank Holding Limited (Capitec Bank), First National Bank (FNB), The Netherlands Bank of South Africa (Nedbank), and Standard Bank Group Limited (Standard Bank). It is significant to remember that the results might not be broadly relevant or generalised beyond these five selected banks.

1.8 OUTLINE OF THE RESEARCH

CHAPTER 1: INTRODUCTION

This section provides the groundwork for the study, discussing its background, the driving factors behind the research, the identified problem, objectives, the research questions, the significant of the study, description of key concepts, and limitation of the study taken into account during the study's execution.

CHAPTER 2: REVIEW OF LITERATURE

This chapter primarily focuses on providing an extensive overview of the body of literature that pertains to the study's overall context and its research goals. It delves into themes and concepts that align with the study's goals.

CHAPTER 3: METHODOLOGY

Chapter Three details the methodology employed in the research process. It covers aspects such as the methods used for data collection, the overall research design, strategies for data analysis, specifics about sampling methods, and acknowledges the limitations that were recognised during the research.

CHAPTER 4: DATA PRESENTATION, ANALYSIS, AND INTERPRETATION OF EMPIRICAL FINDINGS

This chapter is dedicated to presenting the collected data, conducting analysis on that data, and interpreting empirical findings. The analysis is carried out in the context of concepts that have appeared from the information, providing a deeper comprehension of the research questions.

CHAPTER 5: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

The final chapter encapsulates an overview of the entire research, draws judgements based on the results and analysis, offers suggestions derived from the research's outcomes, and acknowledges any limitations that might have influenced the research process or findings.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter investigated how the diversity of board of directors (BoDs) in the South African financial institutions affects a business' performance. It comprises three sections, where the first section discussed the theoretical frameworks that underpinned the study. Both the Agency Theory and the Stakeholder Theory are covered in this section. The second section discussed the importance of BoDs and diversity in an undertaking. It further elucidated diversity as a financial performance driver in view of gender, racial and the professional skills of BoDs. The final section analysed firm performance in both non-financial and financial performance. The objective of this study was to provide well-informed recommendations concerning the topic of diversity within the banking sector.

2.2 THEORETICAL FRAMEWORK

Aligned with the goals of the study, this section discusses the Agency Theory and the Stakeholder Theory.

2.2.1 Agency Theory

García, Orozco, Pineda and Villalba (2023) define the Agency Theory as a process where an entity (agent) is able to take decisions on behalf of another entity (principal) through a signed contract between the agent and the principal. In such an instance, the agent are the BoDs and the principal (the shareholders) who boost the BoDs to perform in the best interests of the company or business. Similarly, Macho-Stadler and Pérez-Castrillo (2021) argue that the shareholders of a company are the motivating force behind the operations of the BoDs. However, both groups of writers do not address the role that factors like diversity in race, gender and skills play in the success or failure of a business. The important point to be noted from the aforementioned authors and researchers is the Agency Theory within companies. As a result, this study identified the Agency Theory as an important aspect pertaining to the influence and impact of diversity on a business' success.

Therefore, the Agency Theory is important for understanding the relationships and interactions of various factors and entities within the operations of financial institutions, as well as, in a company or business. In another sense, the question about the need to build strong relations between agents and principals in firms, factories, companies and businesses, according to Chen, Wang and Wang (2023), are crucial for developing success for the whole business. As a general principle, this theory explains and addresses problems in the relationship between corporate executives and their employees.

The Agency Theory is aimed at enhancing effective corporate governance by addressing issues within the relationship between business principals and their agents. This approach not only improves a company's profitability but also addresses certain social aspects within organisations (Abdel-Megeid & Abd-Elmageed, 2021). Additionally, it acknowledges the challenges faced by BoDs in fulfilling their responsibilities within firms. While shareholders anticipate, the BoDs should behave in the businesses' best interests, the theory recognises the balancing act these boards face (Kanakriyah, 2021). Essentially, the Agency Theory strives to foster better relationships between board members and employees within a firm, aiming for equitable treatment and positive work dynamics.

The Agency Theory encourages positive relationships between shareholders and directors, aiming to optimise shareholders' interest (Solomon, Bendickson, Marvel, McDowell & Mahto, 2021). According to Hindasah and Harsono (2021), BoDs serve as internal regulatory safeguards for companies, offering shareholders insights into the correlation between BoDs and company operations (Dong, Karhade, Rai & Xu, 2021).

Moreover, Abdel Megeid and Abd-Elmageed (2021) suggest that independent board members predominantly oversee monitoring and protection of stakeholders, while gender diversity in firms contributes to reduced agency costs (Jurkus, Park & Woodard, 2011). However, the question remains whether diversity within BoDs directly maximises shareholders' interests in terms of profitability.

While the theory guides fostering a positive director-stakeholder relationship, it is not without weaknesses (Panda & Leepsa, 2017). Due to the theory's separation of ownership and control, agency costs rise because of conflicts of interest. Factors similar to disparate risk aversion, knowledge asymmetry, and moral hazard further exacerbate these conflicts within organisations. Nonetheless, various studies propose that strong ownership control, managerial ownership, independent board members, and specialised committees play crucial roles in mitigating agency conflicts and their associated costs.

2.2.2 Stakeholder Theory

Freeman, Dmytriyev and Phillips (2021) define Stakeholder Theory as a theory that creates a link between organisational management and business ethics.

The Stakeholder Theory places a strong emphasis on the interactions that exist between a business and its clients, partners, staff, investors, communities, and other stakeholders. It advocates that a company should generate value for all stakeholders, not solely prioritising shareholders.

Absolutely, Stakeholder Theory encompasses various parties such as the company itself, customers, the local community, shareholders, employees, and the government. Each stakeholder group holds varying degrees of influence over the way a business operates. This creates a complex interplay wherein businesses navigate a multifaceted relationship aimed at furthering the interests of these stakeholders.

The strategy within Stakeholder Theory involves categorising stakeholders based on their traits, considering factors like urgency, power, and legitimacy. This categorisation helps prioritise stakeholders and their needs within the context of the business operations. The theory essentially acts as the bridge connecting stakeholders with the available information, facilitating a better understanding of their concerns, needs, and influence on business decisions. This approach aids businesses in managing relationships, making informed decisions, and striving for a more balanced and responsible approach to operations that considers the interests of all stakeholders involved.

There are three categories of the Stakeholder Theory, namely: normative, instrumental, and descriptive. Indeed, as highlighted by Hahn, Figge, Pinkse, and Preuss (2018), normative Stakeholder Theory places significant emphasis on valuing and acknowledging the competing environmental and social concerns not just at the organisational level, but also at the broader societal and natural systems level.

This perspective acknowledges that businesses and organisations do not exist in isolation but are integral parts of larger societal and environmental ecosystems. Normative Stakeholder Theory advocates for businesses to consider and address these broader societal and environmental concerns in their decision-making processes. It emphasises the importance of aligning organisational objectives and actions with the greater good of society and the preservation of natural systems, acknowledging the interdependence and impact that businesses have on these larger contexts.

Similarly, instrumental Stakeholder Theory establishes connections between tensions in corporate sustainability and various outcomes (Dmytriyev, Freeman & Hörisch, 2021). Lastly, descriptive Stakeholder Theory describes and explains how individuals and organisations respond to tensions in corporate sustainability (McGahan, 2023).

The research study applied the descriptive Stakeholder Theory due to its ability to articulate factual statements about managers and organisations. This theory is well suited for delineating and elucidating how companies and decision-makers navigate conflicting tensions related to various sustainability concerns. It serves as an effective means for businesses to engage with crucial stakeholders, facilitating integrated reporting on both financial performance and board diversity, and addressing associated challenges. The study suggested that through such integrated reporting practices, companies could foster positive relationships with their stakeholders, as highlighted by Wasara and Ganda (2019). Consequently, businesses are encouraged to endorse sustainable initiatives within their operational domains to strengthen their relationships with strategic partners and promote local sustainability.

In summary, stakeholder theory provides a comprehensive framework for understanding the broader implications of board diversity on financial performance by considering the interests and relationships of all stakeholders involved in the business ecosystem. By adopting a stakeholder-centric approach, companies can leverage board diversity as a strategic asset for driving sustainable growth and creating long-term value for all stakeholders.

2.3 BOARD OF DIRECTORS AND BUSINESS PERFORMANCE

2.3.1 Board of directors

A board of directors is defined as a group of people that provides expertise for a company or organisation (Baysinger & Butler, 2019). Additionally, according to Dat, Mau, Loan, and Huy (2020), a BoD is the governing body of a company, chosen by shareholders in the context of public companies, responsible for establishing strategy and supervising management. Furthermore, Lyons (2020) defines a BoD as an executive committee collectively overseeing the operations of various types of organisations, be it for-profit entities, non-profit organisations, or government agencies.

Van Greuning and Bratanovic (2020) suggest that the BoDs provide high-level guidance and strategic direction for the organisation while safeguarding the financial interests of investors. Naciti (2019) emphasises the BoD's accountability to shareholders, highlighting its responsibility for overseeing and guiding the organisation's management. Olayiwola (2018) states that the board's responsibility is to create and evaluate the company's policies, strategies, objectives, and yearly budget. In addition, the board oversees the application of performance indicators inside the company. They are also obligated to furnish shareholders with a stewardship report.

2.3.2 Firm performance

One of the most important management concepts is firm performance. Firm performance refers to how effectively and efficiently a company attains the objectives it has established (Pang & Lu, 2018). Taouab and Issor (2019) define a firm or company performance as organisational efficiency that refers to the extent to which an organisation, operating as a social system with finite resources and capabilities, accomplishes its objectives without requiring excessive effort from its members. Therefore, performance is assessed by considering productivity, flexibility, and inter organisational tensions. The performance of a firm is a mixture of both the financial and non-financial aspects of an organisation. These factors reflect how effectively a business is executing its strategy and can be analysed to identify opportunities for growth and advancement. Moreover, a metric of productivity over time has also been used to describe firm performance (Krekel, Ward & De Neve, 2019). The first stage in turning a company into an efficient machine is measuring its performance. The understanding of performance and success metrics, however, varies greatly among industries.

2.3.2.1 Non-financial performance

Non-financial performance measures are tools utilised by businesses to assess their success in specific areas without relying on financial indicators. These metrics provide insight into various aspects of operations, strategy, or other non-monetary facets of performance (Benková, Gallo, Balogová & Nemec, 2020). Absolutely, non-financial assessments do not rely on monetary values to gauge success or failure. Instead, they measure success based on qualitative or non-monetary quantitative indicators, focusing on aspects beyond financial figures. Measures of how effectively a firm is fulfilling its strategic objectives, including social responsibility, innovation, quality, employee involvement, or customer satisfaction, are known as non-financial performance indicators (NFPIs). Non-financial indicators are better at forecasting the future economic performance of the company. They fill the gap between the value-creating operations and the company's financial performance. Non-financial elements that positively affect a company's market value include aspects such as product quality, customer satisfaction, innovation, and the environment. In this study non-financial performance indicators are not used to draw any conclusions. This is because these indicators are broad and are often general since they include aspects like strategies, operations, etc. of the firms. The focus of this study is specifically on the relationship between board diversity and financial performance.

2.3.2.2 Financial performance

Financial performance, as defined by Azizah, Manik, and Ilham (2023), is an assessment of a firm's financial well-being, evaluated through considerations of its assets, liabilities, revenue, expenses, equity, and profitability. Financial performance is very important for a company or organisational performance (Taouab & Issor, 2019).

Financial performance, as described by Sihombing, Maffett, and Ilham (2022), pertains to the evaluation of a company's success and profitability through the examination of its annual reports, which comprises of statement of comprehensive income, statement of financial position and statement of cash flow. This assessment involves appraising the company's capacity to generate revenue, control expenses, and enhance shareholder value.

According to Bordeianu and Radu (2020), financial performance is measured using financial ratios and metrics. Financial health can be evaluated using various key indicators, including profitability ratios such as gross margin, operating margin, and net profit margin. Liquidity ratios like the current ratio and quick ratio, solvency ratios like the debt-to-equity ratio and interest coverage ratio, and efficiency ratios like inventory turnover and asset turnover are also important factors to consider (Bordeianu & Radu, 2020). These metrics offer valuable insights into a company's profitability, liquidity, leverage, and operational efficiency, forming a critical component in evaluating its overall financial well-being and performance.

The assessment of a firm's financial performance can be viewed from diverse angles, as different definitions exist relating to this aspect (Khudhair, Norwani, Ahmed & Aljajawy, 2019). As per Harrison and Wicks (2013), financial performance represents the cumulative value generated by a company through its operational activities. It signifies the effectiveness delivered to each of a company's genuine stakeholders. In accounting, both theory and practice have introduced numerous approaches for gauging financial performance (Strouhal, Gurvits, Nikitina-Kalamäe & Startseva, 2015).

Furthermore, the financial health of a company is assessed by financial performance. In addition, a company's financial standing alerts managers to potential financial risks so that they can take preventative action.

Financial performance is crucial to a company's survival (Albuhisi & Abdallah, 2018). In the majority of cases, businesses with inadequate financial performance typically struggle to meet all of their needs. Indeed, the theory of profit maximisation for firms is intricately connected to their financial performance. The pursuit of maximising profits serves as a core objective for firms and significantly influences their financial outcomes and overall performance.

According to this school of thought, a company's primary purpose is to maximise value for its shareholders through profit making. Furthermore, the profit maximisation goal contends that managers ought to acquire certain abilities that will enable them to meet the profitability targets set by shareholders in any circumstance. This line of thinking makes a lot of sense economically. A business needs money to cover expenses like paying vendors and staff, getting discounts, and having enough money to invest in other projects that support the mission of the company. A company might use repatriated profits in addition to borrowed financing to support its expansion goals. These serve as the foundation for funding other efforts, the profit maximisation goal may therefore be important to ignore.

Given the scope and objectives of the research, prioritising financial performance measures allows for a more focused and targeted analysis of the direct impact of board diversity on the economic outcomes of the selected banks. Additionally, financial performance metrics are typically more readily available and objectively quantifiable compared to non-financial measures, making them more suitable for empirical analysis and statistical modelling.

2.4 DIVERSITY IN ORGANISATIONS

Diversity means eliminating conscious and unconscious predisposition against underrepresented groups within a firm or an organisation (Arora, 2022). Differences between people based on specific traits are what is meant by diversity. These traits include broad-spectrum characteristics, including gender, age, race, nationality, socioeconomic status, religion, ethnicity, and so on. It has been noted that diversity boosts resources, innovation, and creativity while decreasing conflict and lowering communication and performance in groups (Cheong & Sinnakkanu, 2014). According to Bell and Leopold (2021), diversity is defined as "the actual and perceived differences among people and other identity-based areas that affect their experiences, outcomes, and opportunities in organisations and society at large". Douglas, Williams and Walsh (2017) indicate that diversity and inclusion are recognised as requirements for optimal organisational performance as it enhances the business decision and firms' financial performance. Diversity and inclusion are becoming increasingly acknowledged as necessary for the best organisational performance (Douglas, Williams & Walsh, 2017). This is because it improves business decisions and a company's financial success.

Hofstra, Kulkarni, Munoz-Najar, Galvez, He, Jurafsky and McFarland (2020) indicate that diversity is very crucial in any firm or organisation as it promotes innovation.

The advantage of diverse teams is that they are performing better in terms of innovation and financial performance (Nelson, 2014). The more the team members are diversified, the more it promotes their effective decision-making (Reynolds & Lewis, 2017). Additionally, businesses with diverse boards showed higher levels of creativity and originality in their decision-making, with more options being taken into account (Hillman, 2015).

Indeed, further research has delved into investigation the potential correlation between board diversity and business performance. This additional investigation, conducted by Cucari, Esposito de Falco, and Orlando (2018), suggests that diversity among board members might indeed have an impact on corporate performance. Research conducted by Ayub & Jehn (2018), Fedaseyeu, Linck & Wagner (2018), and Scholtz & Kieviet (2018) suggests that diversity among board members might indeed influence the performance of a business.

Absolutely, research indicates that increased diversity within teams contributes to better outcomes when navigating complex decision-making processes (Mangelsdorf, 2018). Considering that directors face intricate choices influenced by various internal and external factors, the decisions made by the board tend to be highly complex. With the known advantages of diversity in handling difficult decisions and the intricate nature of board decisions, the case for augmenting diversity among board members is further fortified.

2.4.1 Diversity as a financial performance driver

Diversity in the organisational boards refers to the presence of humans with different kinds of backgrounds, perspectives and experiences (Katmon, Mohamad, Norwani & Farooque, 2019). It encompasses dimensions such as gender, race, ethnicity, age, and professional expertise. These dimensions of diversity have influence on the performance of organisations. Diversity is increasingly being acknowledged as a factor in financial performance since it offers a number of advantages to businesses (Hunt, Prince, Dixon-Fyle & Yee, 2018). These advantages include non-financial factors such as environmental sustainability, and social responsibility, among others (Miroshnychenko, Barontini & Testa, 2017). These factors can contribute to cost savings, increased sales, enhanced reputation, and improved stakeholder relationships, ultimately leading to superior financial results. From these studies, it has been shown that diversity is also a non-financial factor that has been recognised as a driver of financial performance (Almeyda & Darmansya, 2019).

2.4.2 Gender diversity and impact to financial performance

Diversity in gender refers to the equitable or fair representation of persons from difference genders (Walters, Hassanli & Finkler, 2021). Usually, it pertains to a fair balance between men and women but also encompasses individuals identifying with non-binary genders (Dev, Monajatipoor, Ovalle, Subramonian, Phillips & Chang, 2021). One factor of diversity that has an influence on financial performance is gender diversity. Research has proven that businesses with gender-diverse boards have to outperform their counterparts in terms of financial performance (Valls Martínez & Soriano Román, 2022). Research has shown that a large number of boards have stronger risk management procedures and make more creative and effective strategic decisions (Fraser, Quail & Simkins, 2021; Calabrò, Vecchiarini, Gast, Campopiano, De Massis & Kraus, 2019). This can lead to accelerated financial effects for companies. A research conducted using Catalyst, placed that groups with the quality representation of women on their boards had a 53% accelerated return on equity in distinction to those with the lowest representation (Teague, 2015).

Opinions vary regarding the impact of gender on financial performance (Ahmadi, Nakaa & Bouri 2018). Indeed, scholars hold divergent opinions on the connection between gender diversity within firms and their profitability. Some academics, such as Singh, Singhania, & Aggrawal (2022) and Proença & Neves (2022), contend that gender diversity positively influences profitability. Conversely, others like Gregory-Smith, Main, & O'Reilly III (2014) and Song et al. (2020) argue that there is no discernible relationship between the two.

Nakagawa and Schreiber (2014) argue that even though various theories indicate that a firm would have an improved financial performance, if it has an increased proportion of women. In using data of 745 Japanese listed companies, specifically Toyo Keizai and Nikkei NEEDS, the study proved that there is a notable and favourable relationship between the percentage of female managers and gender diversity in the company and performance of the business.

The research indicates numerous advantages for firms associated with gender diversity, suggesting that it facilitates effective information distribution and access to a broader range of insights from various groups within the organisation (Kang & Lee, 2014). Several studies support the notion that gender diversity positively influences net profit. For instance, Li, de Villiers, Li, and Li (2022) found a favourable association between gender diversity and profitability. Kiliç and Kuzey (2016) observed a favourable influence on business performance in Turkish firms using metrics like Return on Equity (ROE) and Return on Assets (ROA). Flabbi, Piras, and Abrahams (2017) discovered a favourable effect on financial performance in Latin American and Caribbean firms, specifically when 30% of board members were female.

Moreover, the influence of gender diversity varies across companies and regions. Studies in Malaysia found that women board members could enhance or diminish value for companies, and the impact of gender diversity varies with different performance measures. Research on Asian listed businesses by Low, Roberts, and Whiting (2015) revealed a positive link between boosting the proportion of women on boards and achieving better financial results. Similarly, Sial, Zheng, Cherian, Gulzar, Thu, Khan, and Khuong (2018) discovered through an OLS model that an increased presence of female board members has the potential to improve a company's profitability.

Reguera-Alvarado, Fuente, and Laffarga (2017) assessed the impact of female diversity on boards on financial success in 125 non-monetary companies that are traded on Spain's Madrid Stock Exchange, concluding that an increase in women in analysed firms correlated positively with higher economic results. They advocate for an increase in board diversity, citing mandatory laws as a key factor in achieving this.

Additionally, research suggests that gender diversity can lower a firm’s overall risk by providing stronger executive risk-taking incentives (Khan & Vieito, 2013). Recent theoretical and empirical studies have focused on the impact of gender diversity among boards on business performance, consistently revealing its potential influence on overall performance. However, limited focus has been placed on gender-diverse boards as a tool for regulating firms' overall risk. Overall, cohesive gender-diverse groups are likely to yield financial benefits for firms. Performance measures such as return on equity, sales, and assets have been effective in exploring the relationship between gender diversity and business performance (Ngyuen, Locke, & Reddy, 2015).

2.4.3 Racial diversity and its impact on financial performance

Racial diversity means the acknowledgement and celebration of difference between racial groups (Smulowitz, Becerra & Mayo, 2019). In South Africa, racial diversity was at some point categorised as Black and White. However, in addition to Black, there are Coloureds and Indians/Asians. These terms often refer to racial classifications in South Africa, including Black, White, Coloured, and Indian South Africans), who are the organisation's employ (Butler, 2017). The rising representation of racial minorities in companies emphasises the importance of understanding how racial diversity influences financial performance (Flory, Leibbrandt, Rott & Stoddard, 2021). Societal pressures in recent years have urged organisations to enhance their racial diversity profiles. Consequently, companies are making substantial investments in enhancing racial diversity, yet they may not be fully evaluating its influence on financial performance (Manata, 2019).

Certain researchers propose that financial performance may be negatively impacted by racial diversity, attributing this effect to potential conflicts arising among individuals (Sharma, Moses, Borah & Adhikary, 2020; Lee & Kim, 2020). Conversely, other studies argue that racial diversity has a favourable impact on business performance by integrating diverse perspectives during interactions and decision-making (Manata, 2019; Moon & Christensen, 2020). Existing literature has generally indicated a negative influence of racial diversity on overall profitability in firms (Vairavan & Zhang, 2020; Bhat, Chen, Jebran & Memon, 2020). Borkowskin and Meese (2020) propose that the unfavourable association between racial diversity and business performance frequently emerges from heightened conflicts among staff.

Smulowitz, Becerra and Mayo (2019) point out that while diversity is important to many firms, there are advantages and disadvantages associated with it. The study looked at the commercial benefits of racial diversity at various levels of hierarchy. The study found that the racial diversity of organisations was positively connected with their financial success inside the firms after analysing a sample of 143 United States law firms from the years 2008 to 2012. Despite this positivity, the advantages of this diversity were not clearer at the top level of the organisations. The diversity is more concentrated at the associated lower level for the most profitable companies.

2.4.4 Professional diversity and impact to financial performance

Professional diversity is defined as having a workforce that is inclusive of people from different expertise, skills and professional backgrounds among BoDs (Shore, Cleveland & Sanchez, 2018). This is the combination of various specialist backgrounds, abilities, and knowledge among board members. Donnelly, Ó Coimín, O'Donnell, Ní Shé, Davies, Christophers, Mc Donald and Kroll (2021) indicate that board contributors with several professional experiences deliver a fluctuate of perception and perspectives, which can result in extra knowledgeable decision-making and higher industrial company outcomes. According to Rebele and Pierre (2019), board members with expertise in finance, marketing, operations, and technology can provide a company with a well-rounded understanding of its operations and set it up for success. This can positively have an effect on financial performance through a way of figuring out increase opportunities, managing risks effectively, and enhancing operational efficiency.

Board members should have the necessary qualifications for their positions and maintain those qualifications, including through training (Boadi & Osarfo, 2019). They should be well informed of their responsibilities in company governance and be able to make detailed, impartial decisions regarding the operations. According to Seijts, Byrne, Crossan and Gandz (2019), a board should possess the necessary expertise, competencies, and character attributes, including professionalism and integrity, both on an individual basis and as a collective entity.

To ensure effective management oversight, the BoDs should possess a diverse range of skills and expertise (Birindelli, Dell'Atti, Lannuzzi & Savioli, 2018). Merendino, Dibb, Meadows, Quinn, Wilson, Simkin and Canhoto (2018) indicate that individuals, especially in the board level, need continuously acquired knowledge and skills. Even if there are many ways to learn new information, develop new abilities, or improve old ones (Gafour & Gafour, 2020). Certain individuals favour a clear and well-defined path, often guided by the nature of work they intend to pursue. For instance, a person cannot work as a doctor unless they have graduated from medical school. The essential information and expertise cannot be acquired outside of the formal frameworks that have been established due to ethical and legal restrictions.

2.5 CONCLUSION

In this chapter, theories, namely: Agency Theory and Stakeholder Theory, which were supported by various literatures showed both a positive and negative relationship among diversity, gender, racial and professional with financial performance in different, firms, institutions, organisations and companies. Furthermore, according to the literature, companies positioned in the highest quintile with regard to racial, ethnic, and gender diversity tend to achieve greater successful monetary outcomes that surpass the median benchmarks set within their respective national industries.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter delves into the comprehensive methodology employed in the study, encompassing the research paradigm, design, method, population, sample size, sampling techniques, data collection methods, and analysis. Research methodology encompasses the strategies and procedures researches utilise to describe, explain, and forecast events. It also defines the criteria applied for interpreting data and deriving conclusions (Almalki, 2016).

3.2 RESEARCH PARADIGM

A research paradigm serves as the foundational framework upon which a study is built, offering a structure of assumptions and understandings that underpin the theories and methodologies employed in the research. Žukauskas, Vveinhardt, and Andriukaitienė (2018) define a paradigm as a structured framework comprising knowledge, beliefs, and an understanding of diverse theories and methodologies utilised in conducting scientific research.

There are two primary categories within research paradigms: the positive and anti-positivist paradigms. The positivist paradigm involves employing a scientific approach to inquiry, using analytical and empirical research methodologies. It relies on investigation, observation, and knowledge backed by logic, considering these as the sole means for enhancing knowledge and comprehending human behavior (Kivunja & Kuyini, 2017).

According to Antwi and Hamza (2015), the positivist paradigm holds that knowledge can be measured and is objective. Ontologically, an autonomous view is taken, but epistemologically, the proponents accept cause-and-effect reasoning based on scientific viewpoints, according to (Saunders, Lewis & Thornhill, 2019). Bell, Bryman and Harley (2018) claim that the positivist method is centered on the scientific approach, which holds that generalisations can be drawn from both natural and social sciences. Those in favour of this concept maintain that reality can be comprehended objectively and that information regarding a phenomenon can be readily acquired without the researcher's direct involvement (Creswell & Creswell, 2017). This is sufficient to imply that the researcher’s involvement in collecting data is restricted to giving out a form and letting the participants fill it out on their own. This explains the value-free axiology positivism uses, in which the researcher maintains complete objectivity toward the participants (Saunders, Lewis & Thornhill, 2019). As a result, the main tools employed by positivist researchers tend to be observations and experiments. The positivist paradigm also has notions that serve as a framework for quantitative research.

The anti-positivist paradigm opposes scientific research methods and explanations, focusing instead on aspects that positivism tends to disregard. Buddharaksa (2010) provides an illustrative example, highlighting the significance of social structure and a value-driven interpretive framework within this paradigm.

Macionis and Gerber (2011) describe anti-positivism (also known as interpretivism, negativism, or antinaturalism) as a theoretical position asserting that social phenomena cannot be studied using the investigative methods applied in the natural sciences. It suggests that exploring social beliefs necessitates a distinct epistemology. At the core of this anti-positivist epistemology is the notion that researchers' concepts and language shape their understanding and definition of the social world they are investigating.

The choice of the positivist paradigm was deemed appropriate for this research due to its focus on establishing links between variables using statistical or mathematical methods, as indicated by Thompson (2015). Given the research goal of defining the correlation between financial performance and diversity among BoDs in the listed companies on the JSE, particularly the five major banks, positivism proved beneficial. Positivism aligns with the assumption that objective truth exists, which was valuable in this study's context.

3.3 RESEARCH DESIGN

The research design, according to various scholars like Sileyew (2019), Rutberg, Bouikidis (2018), Walkey, Sheldrick, Kashyap, Kumar, Boman, Bolesta, Zampieri, Bansal, Harhay, and Gajic (2020), serves as a blueprint outlining the approach for data collection in a study. It encompasses selecting subjects, study areas, data collection procedures, and forms a coherent framework for the entire research report, as emphasised by Dzomonda (2021) and Newman, Gough (2020). This plan encapsulates all necessary steps to execute the research process, and choosing the right design is critical, as noted by Kazdin (2021) and LoBiondo-Wood, Haber (2017), typically guided by study objectives and hypotheses.

In this study, the chosen research design, correlational in nature, is a non-experimental method commonly used to predict and explain correlations between variables, as outlined by Seeram (2019). It focuses on determining the extent of the relationship between two or more variables, observed quantitatively, as detailed by Mertler, Vannatta, LaVenia (2021). The approach delves into both positive correlations, where variables move in the same direction, and negative correlations, where one increases as the other decreases, as highlighted by Bloomfield, Fisher (2019) and Du, Zan, Cho, Fenton, Hsiao, Hsiao, Keaver, Lai, Lee, Ludy, Shen (2020) respectively.

This correlational design was suitably chosen for this study to scrutinise the connection between selected JSE listed companies' variables. It examining how financial performance correlates with board diversity, featuring independent variables such as gender, racial, and professional diversity and dependent variables represented by financial performance metrics (ROA, ROE, ROI, ROS, Tobin q, Debt/equity ratio), as explained in the literature and aligned with previous research studies (Zachary, Brianna, Garrett, Jade, Alyssa, Mikayla, 2020; Malatji, 2019; Schober, Boer, Schwarte, 2018). This design's suitability lies in its ability to observe multiple variables simultaneously and describe their relationships, providing valuable insights into the study's core objectives (Lánczky, Győrffy, 2021; Osborne, Waters, 2019).

3.4 RESEARCH METHOD

The two main research methodologies or strategies mentioned in the literature thus far are quantitative and qualitative research (Wilson, 2014; Bell et al., 2018). Both qualitative and quantitative methodologies play pivotal roles in acquiring diverse forms of information.

Qualitative research focuses on understanding through words and meanings (Blackstone, 2018). Its methodologies include fieldwork, in-depth interviews, and conducting focus groups as examples.

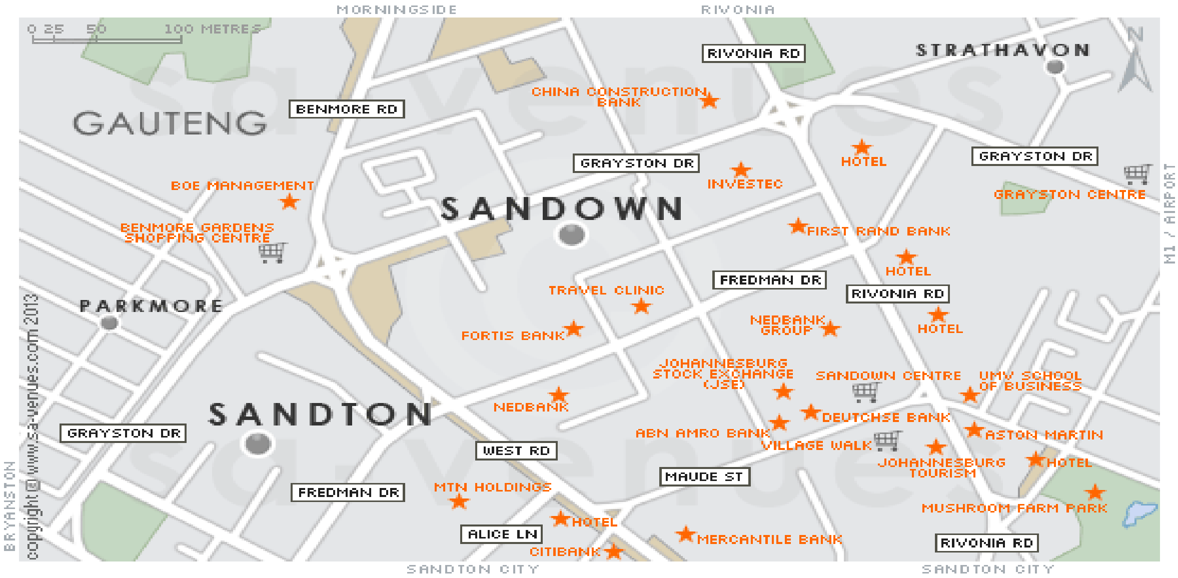
According to Antwi and Hamza (2015), the qualitative research strategy is a technique that relies on textual data and is subjective in nature. When attempting to understand participants' thoughts, feelings, and observable behavior regarding a topic, the qualitative research design is employed (Wilson, 2014). Inductive research methodology is additionally linked to qualitative research.

On the other hand, quantitative research is centered on collecting, analysing, and utilising quantitative data (Rahman, 2020). It involves employing statistical or mathematical techniques to analyse data and primarily deals with numerical information during data collection and analysis (Mohajan, 2020).

According to Patten and Newhart (2018), quantitative research is a method that gathers and analyses data using analytical techniques. The deductive research strategy is connected to the quantitative research methodology, which has its origins in the natural sciences (Antwi & Hamza, 2015). It was employed because, given that the data are measurable and statistical in nature, it made it simpler for the researcher to generalise conclusions. A majority of scientists favour the quantitative research design for its objectivity. The use of numerical data and a systematic process to respond to research questions and test hypotheses are the fundamental components of a quantitative research design (Walliman, 2017). Wilson (2014) asserts that a benefit of the quantitative research technique is that it allows for the collection of a larger sample, which enables generalisation. The present study used the quantitative research method.

3.5 STUDY AREA

A research site is a specified geographical location that has been mapped and systematically sampled for the investigation of a research hypothesis (Modica, 2022). In this study, the research site was identified as Sandton, Johannesburg, located in the Gauteng Province of South Africa. The JSE is located in Johannesburg, South African at Exchange Square, 2 Gwen Lane, Sandton, 2031. From the map below, the study area is clearly visible. JSE is where companies are listed; the study intends to examine the connection between the diversity of BoDs and the financial performance of corporations listed on the JSE. Below is the map where JSE is situated.



(Source: google map)

3.6 RESEARCH POPULATION

The research population refers to the total count of individuals, companies, organisations, or any cohesive study group on which research findings are intended to be applied (Casteel & Bridier, 2021). It encapsulates a complete assembly sharing common characteristics (Swann, Holden, Turtle, Pollock, Fairfield, Drake, Seth, Egan, Hardwick, Halpin & Girvan, 2020). Additionally, as outlined by Sogari, Velez-Argumedo, Gómez and Mora (2018), a population represents a collection or cluster of elements possessing specific attributes relevant to a study. Identifying the population hinges on the research queries and plays a pivotal role in determining sample selection and sampling methods. Defining the research population clearly is essential for aligning sample selection and appropriate sampling techniques (Hohenlohe, Funk & Rajora, 2021).

In this study, the main objective was to examine the relationship among diversity in BoDs and monetary outcome of companies registered with the Stock Exchange. Consequently, the study's population encompassed all 126 companies listed within the financial sector on the JSE.

These listed companies on the JSE adhere to specific criteria for their annual reporting, as stipulated by regulations (JSE, 2018). Moreover, they are obligated to comply with the International Financial Reporting Standards (IFRS, 2018) when preparing their annual integrated reports. These standards contribute to the accuracy, consistency, and credibility of financial data necessary for this research (Khan, 2018).

Focusing on listed companies also provides access to share price data and mandates the disclosure of BoDs information in accordance with the Companies Act 2008 (Act 71 of 2008). Hence, relying on the integrated reports, share price data, and BoDs' information ensured that the study's population met the necessary research requirements.

3.7 SAMPLING, SAMPLE AND SAMPLE SIZE

Coetzee (2014) defines a sample size as a subset of individuals, items, or objects that are chosen from a broader population for the purpose of analysis in a study. In this study, a purposive sampling strategy was utilised, which is a nonprobability form of participant selection based on the researchers' judgement and the study's aims (Taherdoost, 2016). The study specifically concentrated on a sample consisting of the five primary banks in South Africa: Absa Bank, Capitec Bank, First National Bank, Nedbank, and Standard Bank. The selection of the five primary banks in South Africa for the study is justified based on their market dominance, representativeness, data availability, potential for comparative analysis, and economic significance. Focusing on these key players enables researchers to gain valuable insights into the relationship between board diversity and financial performance within the context of the South African banking industry.

Table 3. 1 These are the sampled companies as registered on the JSE.

No	Code	Company
1	JSE:FSR	FirstRand Limited
2	JSE:SBK	Standard Bank Group
3	JSE:CPI	Capitec Bank Holdings
4	JSE:ABG	Absa Group Limited
5	JSE:NED	Nedbank Group Limited

(Source: JSE website)

3.8 DATA COLLECTION

Data collection, as defined by Kabir (2016), refers to the methodical acquisition and examination of data pertaining to particular variables of interest. This process allows researchers to derive conclusions and evaluate hypotheses. Research utilises two main approaches for data collection: primary and secondary data. Primary data refers to first-hand information acquired through various means such as surveys, experiments, questionnaires, interviews, and observations (Kabir, 2016). Conversely, secondary data refers to information that has been previously published or recorded. In this study, the researcher relied on secondary data sourced from the JSE, companies' websites specifically examining the diversity of boards of directors and the financial performance of five major banks: Absa Bank, Capitec Bank, First National Bank, Nedbank, and Standard Bank within a 2018 - 2022 period. Secondary data sources are often readily accessible to researchers and stakeholders, promoting transparency and accountability in the research process. By using publicly available data, researchers can ensure transparency in data collection and analysis, allowing for independent verification and replication of the findings by other scholars and practitioners. The period chosen for this study was from the year 2018 – 2022 which was five year period. A five-year observation period is practical and manageable, particularly for studies with finite resources and constraints. While a longer observation period may offer more extensive data, a five-year timeframe strikes a balance between data richness and practical considerations, making it a suitable choice for studying the relationship between board diversity and financial performance.

3.9 DATA ANALYSIS

The term "data analysis" describes the process of examining and analysing the information extracted from the data obtained. To draw a conclusion, the study made use of the appropriate and helpful data (Ilham, Arliansyah, Juanda, Sinta, Multazam & Syahputri, 2022). Descriptive statistics were employed in the study to offer a comprehensive summary of the data, including insights into both the dependent and independent variables. Additionally, the study utilised the Multiple Linear Regression Model. According to Montgomery, Peck, and Vining (2021), the Linear Regression Model serves as a mathematical framework that aids in describing how independent and dependent variables are related to one another. The model's primary goal is to estimate the unknown parameters within the regression model.

Given the following multiple regression model:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_k x_k + \xi \text{ ....1}$$

Parameters β_0 represent constant, $\beta_1, \beta_2 .... \beta_k$ represent coefficients in the multiple regression and y is the dependent variable and ξ is the error term in the equation.

Salim and Sulaiman (2011) utilised ROA as an indicator for financial performance. They examined various factors, including the proportion of women in the industry, percentage of foreign nationals, the fraction of members below 50 years old, firm size percentage, board member count, ordinary shares held by majority shareholders, and the percentage of shares held by block holders. Similarly, Woschkowiak (2018) employed the Tobin Q ratio and accounting-based profitability metrics like ROA, ROE, or ROS as proxies for financial performance. Their study also considered board diversity, using factors such as the nationality, age, and genders of the BoDs.

Following the above-mentioned authors, this study's model was specified as follows:

Netpr = α + Gender + Race + Profession + € 2

Where Netpr, which is regarded as the firms' net profits, $GENDER$ represents the number of females in the BoDs, $RACE$ signifies the number of Blacks within the BoDs and $PROF$ represents the scientists of the BoDs.

Since the traditional approach in the study of South African race relations and the work environment favourable to the Whites males, professional (socials/humanities) etc. the study needed to focus on the group that were excluded like females and Blacks people in general. Furthermore the study acknowledges the over representation in the financial industry of groups like Coloureds and Indians. As such, the focus was predominantly on Blacks, in general, females and scientists.

3.10 RELIABILITY AND VALIDITY

Reliability pertains to the consistency and stability of findings within a study. It ensures the trustworthiness of results derived from a specific tool or method employed in research (Mohajan, 2018). On the other hand, validity relates to the accuracy of what a research instrument measures and how effectively it accomplishes this goal (Mohajan, 2018). The data were collected from the IRESS database, companies' websites and the JSE, which are public sites and are accessible to the public. Furthermore, the data that were collected were audited. The BoDs approved the annual financial statements and they were published on the public sites. This was an indication that the annual financial statements that were used in this study were reliable and valid.

3.11 ETHICAL CONSIDERATIONS

Turfloop Research Ethics Committee (TREC) ethical approval was not needed for this study because it did not involve contact with humans or animals. However, approval was obtained from the Faculty of Management and Law. Data were sourced from public platforms like company websites, JSE, and IRESS database. Proper citations acknowledged the use of other authors' work. According to De Vos, Strydom, Fouché, and Delport (2011), research should prioritise approval, trust, collaboration, and shared expectations among all involved parties. These ethical principles guided this study. The researcher maintained ethical standards by acknowledging all cited sources in the study's write-up, as it is crucial for researchers to discern what is acceptable and unacceptable in scientific research (De Vos et al., 2011). Additionally, the report underwent a Turn-It-In check to identify and prevent plagiarism.

3.12 CONCLUSION

In this chapter, the study's research design and methodology were thoroughly explained. It encompassed discussions on the research paradigm and method employed, the study's population, sampling techniques, sample size, timeframe, data collection methods, and analysis approaches. Additionally, the chapter covered the assessment of data reliability and validity, acknowledged study limitations, and addressed ethical clearance matters.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 INTRODUCTION

In this chapter, the study's data, analyses, and results are outlined, focusing on the financial performance spanning from 2018 to 2022. The findings are presented concerning the impact of Board of Directors' (BoDs) diversity on financial performance, illustrated through graphs and panel data regression analysis. The analysed data addresses three primary research objectives: firstly, describing the correlation between gender diversity among BoDs and net profit; secondly, evaluating the association between racial diversity among BoDs and net profit; and thirdly, examining the link between professional diversity in the board and net profit.

4.2 DATA MANAGEMENT AND ANALYSIS

In this study, the Multiple Linear Regression Model was employed to explore the potential relationship between board diversity (gender, racial, and professional) and the financial performance of specific companies listed on the JSE. The study encompassed a population of 126 companies within the financial sector listed on the JSE. From this population, a sample of five banking companies was selected, examining data from the period spanning 2018 to 2022.

The subsequent section delves into the panel data analysis.

4.3 STATISTICAL MODEL AND TESTS

The study employed several tests to establish the validity of the data results, including a regression table, ANOVA that is (analysis of variance) and coefficients.

The subsequent section delves the descriptive statistics.

4.3.1 Descriptive statistics

This study utilised descriptive statistics to delineate and describe the aspects of the data. The summary of the descriptive statistics examined the characteristics of the dependent variable, net profit, as well as the independent variables: gender diversity, ethnic diversity, and professional diversity of the board.

The following figures indicate gender, race and professions of the board in different banks.

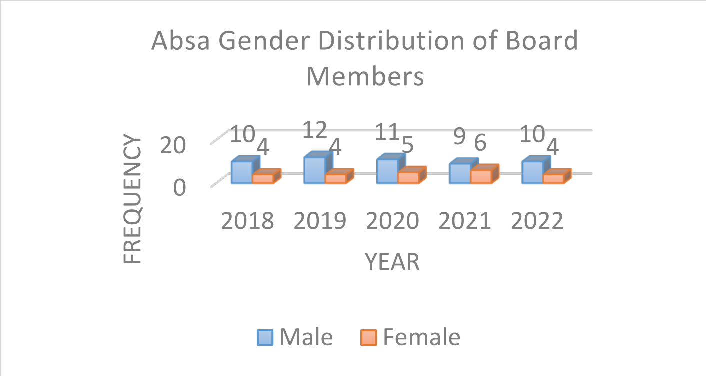


Figure 4.1: Bar Graph of Absa Board members by gender over five years.

Figure 4.1 shows that the board of Absa was dominated by males in all the five years period, with 2021 having the highest number of females being six (40%) out of 15 members.

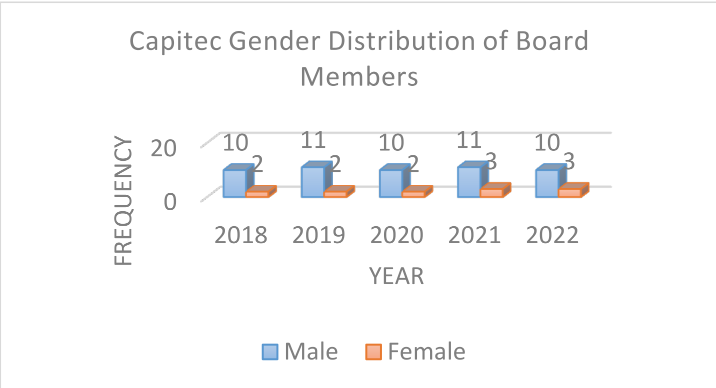


Figure 4.2: Bar Graph of Capitec Board members by gender over five years.

Figure 4.2 shows that males dominated the board of Capitec in all the five years period. The females have been at their minimal. Females have been only two for 2018 – 2020, and then increased to three from 2021 to 2022.

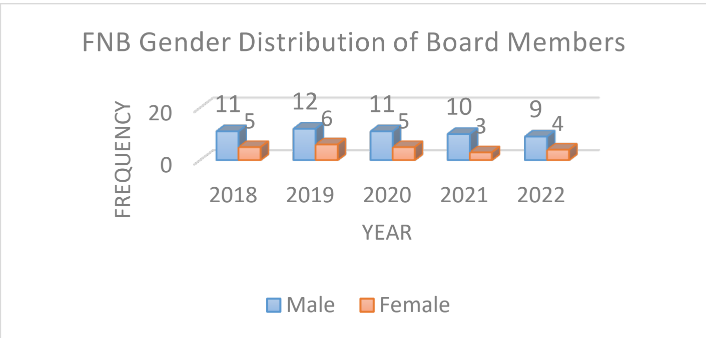


Figure 4.3: Bar Graph of FNB Board members by gender over five years.

Figure 4.3 shows that males dominated the board of FNB in all the five years period. The females had been five for 2018, 2019 and 2020 then decreased to three in 2021. In 2022, there was an increase to four.

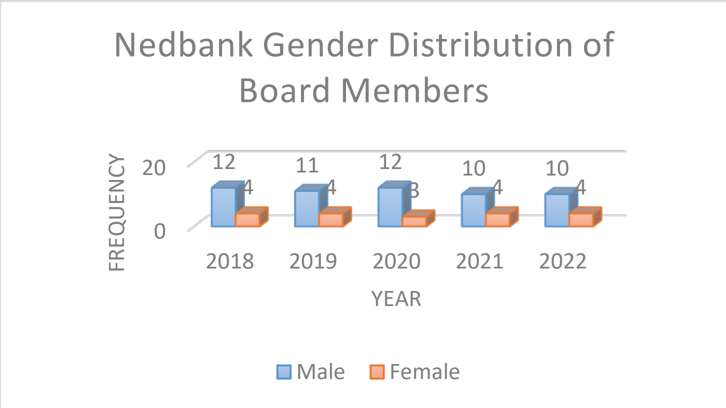


Figure 4 4: Bar Graph of Nedbank Board members by gender over five years.

Figure 4.4 shows that, like other banks, males dominated in the BoDs for over five years. The number of females were four in 2018, 2019, 2021 and 2022, and then three in 2020, which was a decrease.

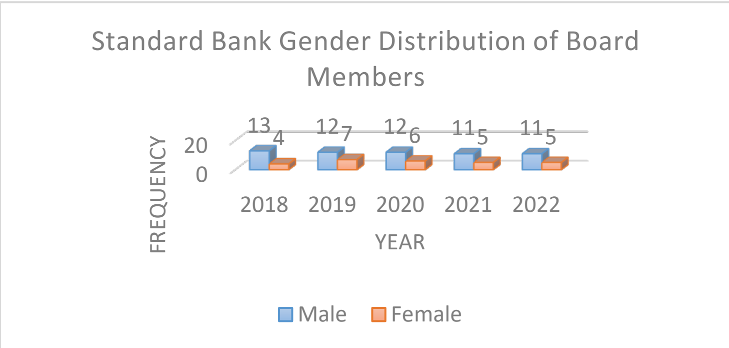


Figure 4.5: Bar Graph of Standard Bank Board members by gender over five years.

Figure 4.5 shows that the board of Standard bank was also dominated by males in all the five years period, with 2018 having the highest number of males 13 (76%) out of 17 members. In 2019, the board had the highest percentage of females, seven (37%) out of 19, as compared to the other years. In 2021/2022, the board had the same number of members, 16, where 11 (69%) of them were males and five (31%) were females.

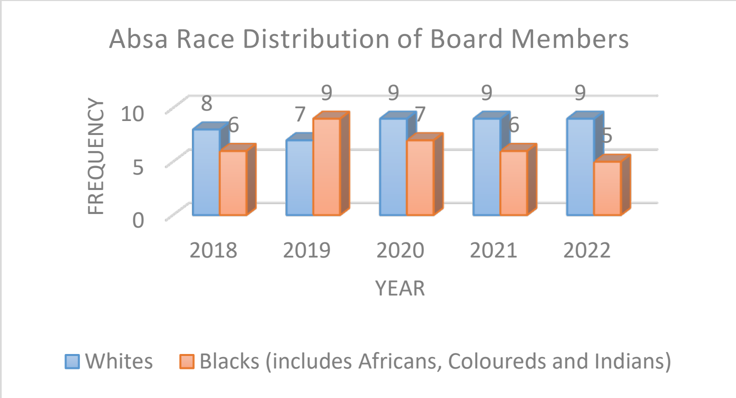


Figure 4.6: Bar Graph of Absa Board members by race over five years.

Figure 4.6 shows that Whites dominated the board of Absa in 2018, 2020, 2021, and 2022. In 2019, blacks dominated in the board with nine blacks (56%) out of 15 members.

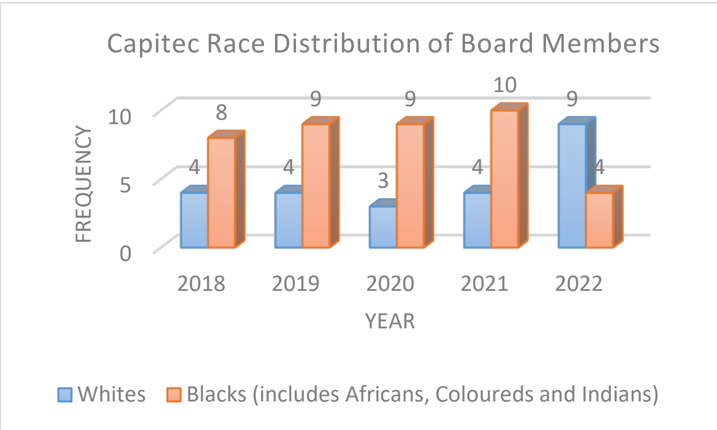


Figure 4.7: Bar Graph of Capitec Board members by race over five years.

Figure 4.7 shows that blacks dominated the board of Capitec in 2018, 2019, 2020, and 2021. In 2022, Whites dominated in the board, with nine Whites (59%) out of 13 members.

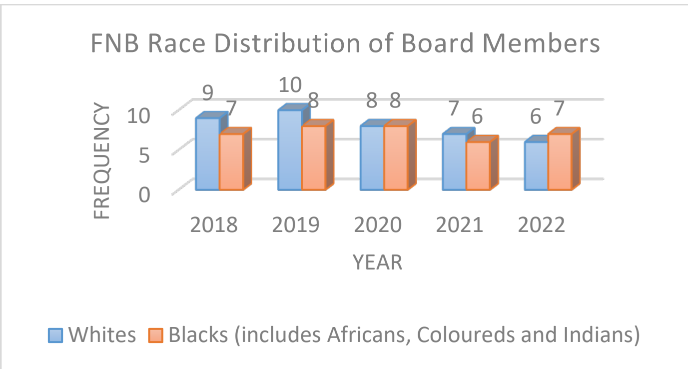


Figure 4.8: Bar Graph of FNB Board members by race over five years.

Figure 4.8 shows that Whites dominated the board of FNB in four consecutive years, that is from 2018 – 2021. In 2022, Blacks were a majority, that is, there were seven (54%) out of 13 members.

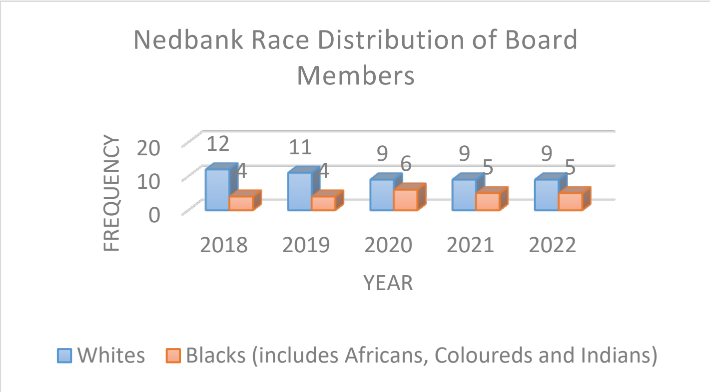


Figure 4.9: Bar Graph of Nedbank Board members by race over five years.

Figure 4.9 depicts that Whites were dominated in the BoDs for all the years. Blacks had been four in 2018 and 2019. In 2020, there was an increase of Blacks in the board, that is six (40%) out of 15 members. Then, in 2021 and 2022, there was a decrease to five Blacks in the board.

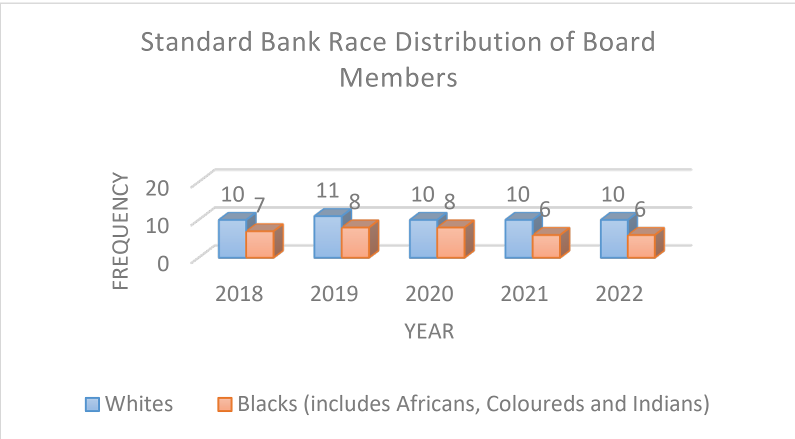


Figure 4.10: Bar Graph of Standard Bank Board members by race over five years.

Figure 4.10 indicates that Whites throughout the five years dominated BoDs. Blacks were fluctuating through the years, with seven in 2018, eight in 2019 and 2020, and then six in 2021 and 2022.

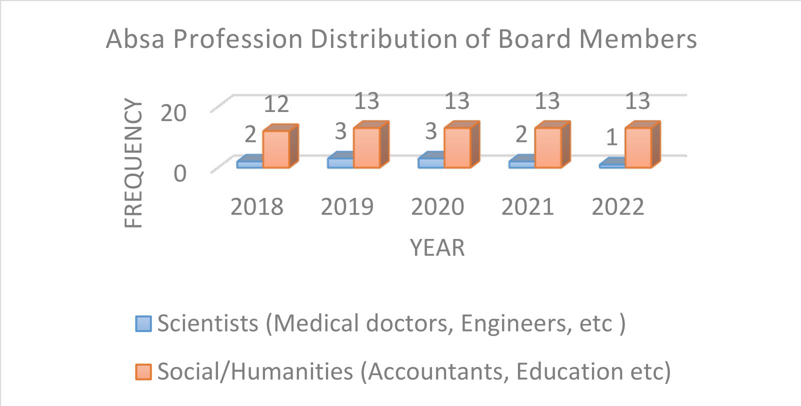


Figure 4.11: Bar Graph of Absa Board members by profession over five years.

Figure 4.11 shows that the board of Absa was dominated by Socials/Humanities, which are mostly the accountants in all years. Scientists were minimal.

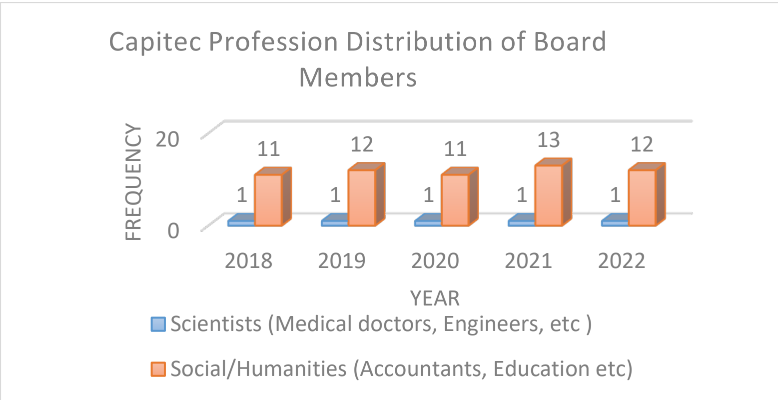


Figure 4.12: Bar Graph of Capitec Board members by profession over five years.

Figure 4.12 shows that the board of Capitec was dominated by Social/Humanities, who were mostly the accountants in all the years. Scientists were minimal. There was only one scientist in all the five years.

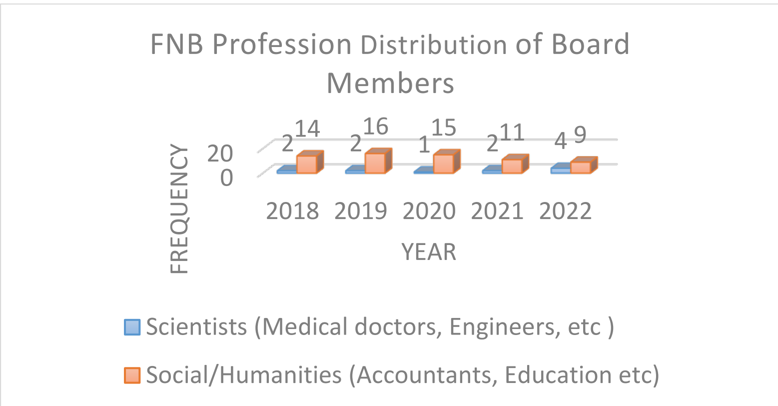


Figure 4.13: Bar Graph of FNB Board members by profession over five years.

Figure 4.13 shows that, like other bank that Social/ Humanties, dominated the board of FNB in all the five years period. The scientists were always at a minimum, that is, two in 2018, 2019 and 2021, one in 2020. In 2022, there were four (31%) out of 13 members, which was the highest number.

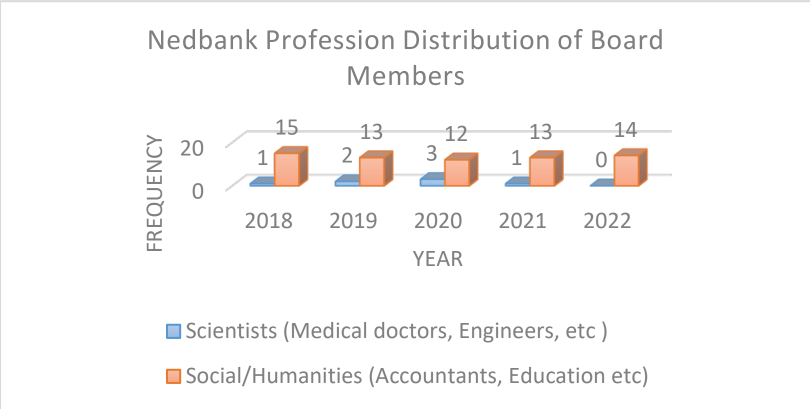


Figure 4.14: Bar Graph of Nedbank Board members by profession over five years.

Figure 4.14 shows that accountants dominated board of Nedbank throughout the period. Scientists were always at minimum. In 2020, there were three scientists (20%) out of 15 members.

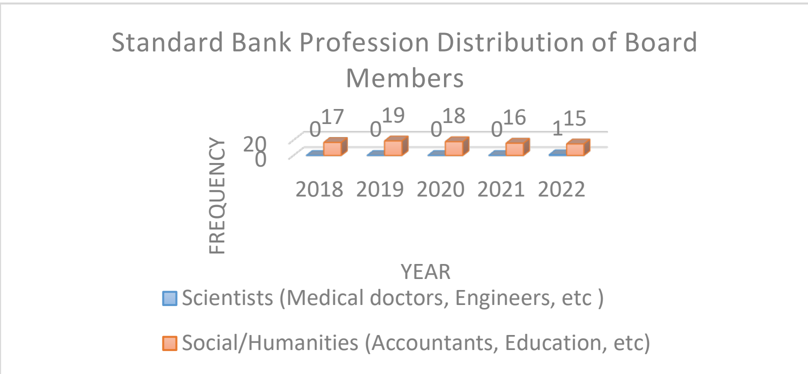


Figure 4.15: Bar Graph of Standard Bank Board members by profession over five years.

Figure 4.15 depicts that scientists were zero in 2018 – 2021 and only one (6, 25%) out of 16 members in 2022. Accountants dominated BoDs.

The following figures below are the net profit of individual banks. The amounts are in billions. R'000 has been eliminated from the graph due to spacing and visibility. For example, R17, 275,000 should be R17, 275,000,000 and so on.

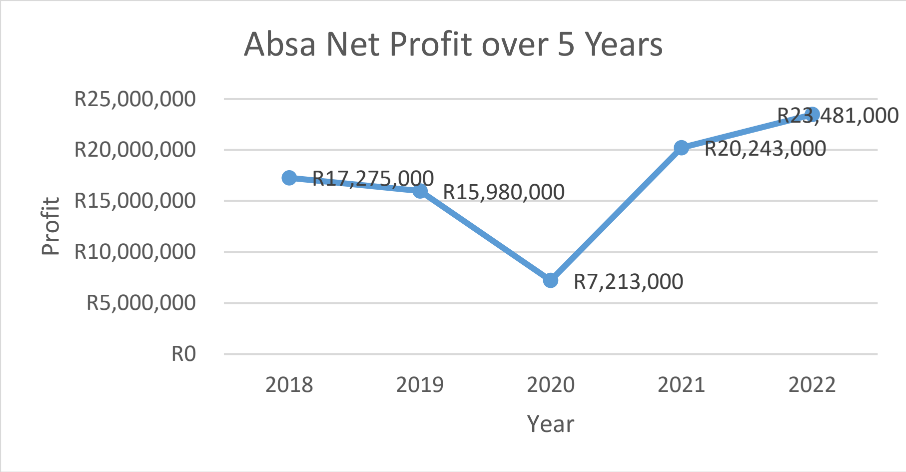


Figure 4.16: Bar Graph of Absa Net profit over five years.

Figure 4.16 shows the movement of Absa's net profit for five years.

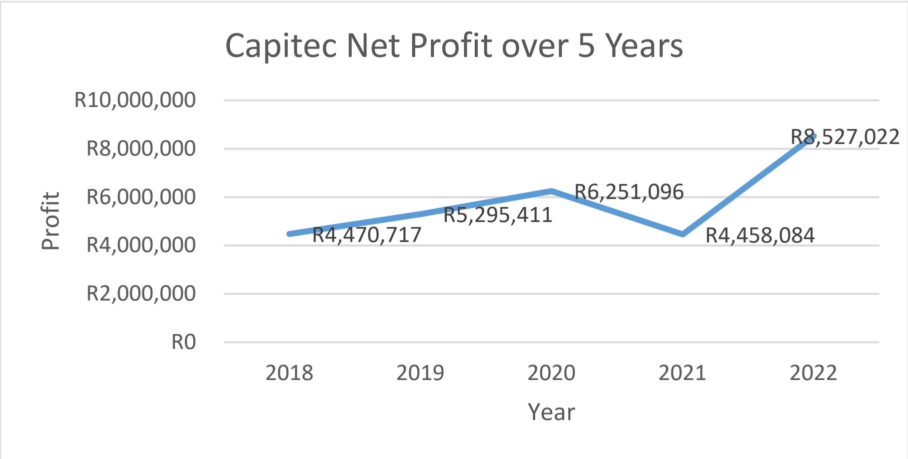


Figure 4.17: Bar Graph of Capitec Net profit over five years.

Figure 4.17 shows the movement of Capitec's net profit for five years.

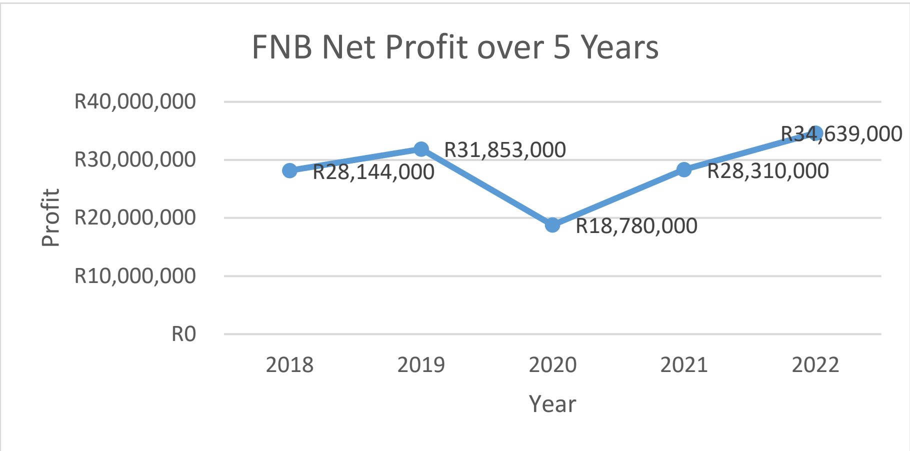


Figure 4.18: Bar Graph of FNB Net profit over five years.

Figure 4.18 shows the movement of FNB's net profit for five years.

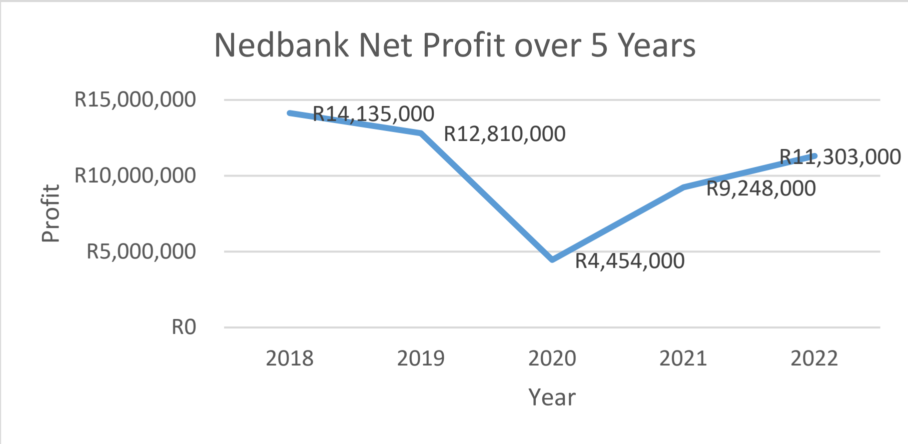


Figure 4.19: Bar Graph of Nedbank Net profit over five years.

Figure 4.19 shows the movement of Standard bank's net profit for five years.

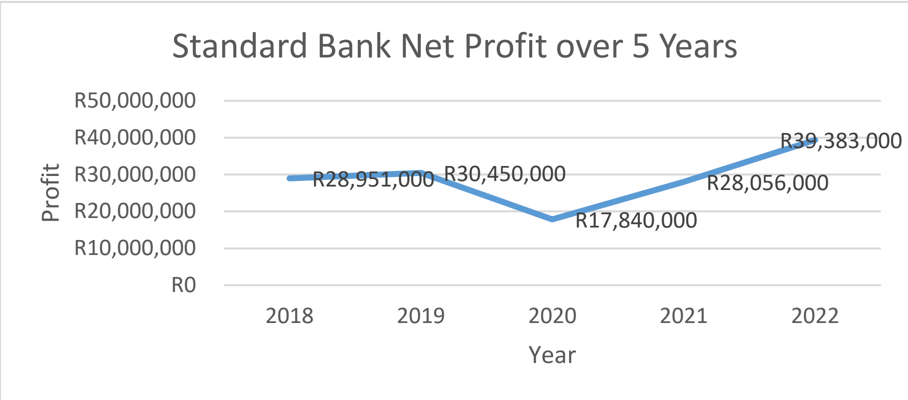


Figure 4.20: Bar Graph of Standard Bank Net profit over five years.

Figure 4.20 shows the movement of Standard bank's net profit for five years.

The following tables indicate summaries of net profit for different five banks over five year period.

Table 4.1: Summaries of net profit for different banks over five years.

Year	Nedbank	Standard Bank	ABSA	FNB	Capitec
2018	R14 135 000 000	R28 951 000 000	R17 275 000 000	R28 144 000 000	R4 470 717 000
2019	R12 810 000 000	R30 450 000 000	R15 980 000 000	R31 853 000 000	R5 295 411 000
2020	R4 454 000 000	R17 840 000 000	R7 213 000 000	R18 780 000 000	R6 220 588 000
2021	R9 248 000 000	R28 056 000 000	R20 243 000 000	R28 310 000 000	R4 439 971 000
2022	R11 303 000 000	R39 383 000 000	R23 481 000 000	R34 639 000 000	R8 527 022 000

Table 4.1 indicates the summary of the net profit in different banks in billions.

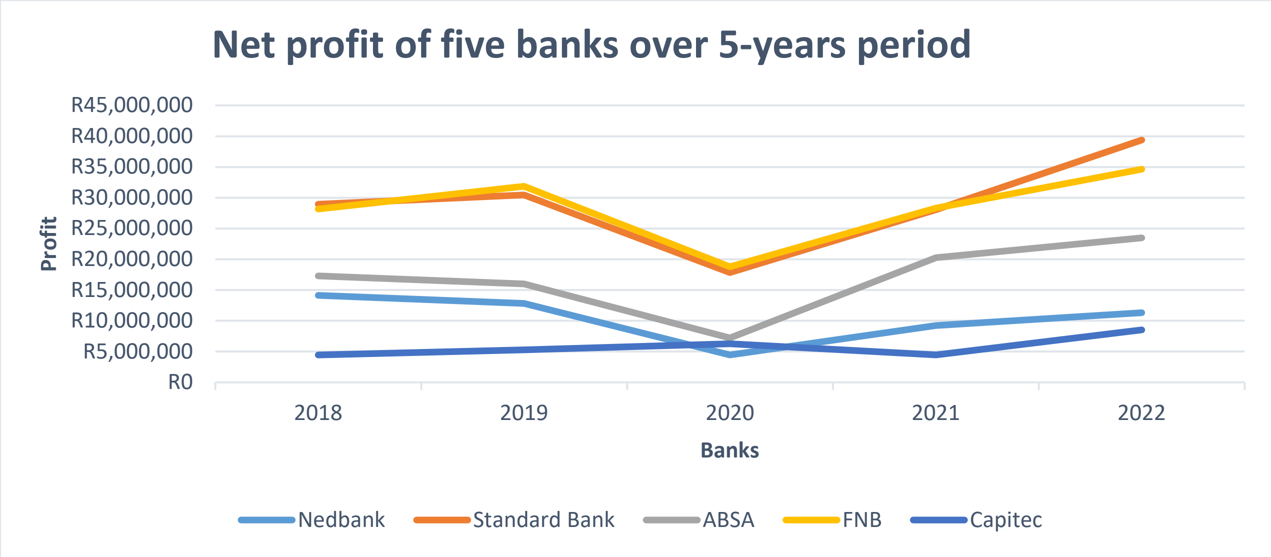


Figure 4.21: Bar Graph of Net profit of five banks over five years.

Figure 4.21 depicts the net profit of different banks, which are in billions. In this bar graph, R'000 has been eliminated. This figure shows that Standard bank recorded the highest profit in 2018, followed by FNB and that Capitec Bank recorded the lowest. Absa and Nedbank dropped from 2018 until 2020, whereas Standard bank and FNB dropped from 2019 to 2020. Capitec is the only bank that improved from 2018 to 2020. All four banks improved from 2020 until 2022 except Capitec that dropped in 2021.

4.3.2 Regression statistics

The following tables present the regression test of Absa, Capitec, FNB, Nedbank and Standard bank.

Table 4.2: Summary of Absa bank (number of females, Blacks, profession and net profit) for five years.

Year	Females	Blacks	Socials/Humanities	Net Profit
2018	4	8	12	R17,275,000,000
2019	4	7	13	R15,980,000,000
2020	5	9	13	R7,213,000,000
2021	6	9	13	R20,243,000,000
2022	4	9	13	R23,481,000,000

Tables 4.2, shows the summarised of number of females, number of Blacks and number of socials/humanities in the board together with net profit. Net profit is a dependent variable while number of females, number of Blacks represent board

diversity; number of accountants are independent variables. These data were further extracted to the SPSS software to get the results of regression.

Table 4.3: Summary of Capitec bank (number of females, Blacks, profession and net profit) for five years.

Year	Females	Blacks	Social/Humanities	Net Profit
2018	2	4	11	R4,470,717,000
2019	2	4	12	R5,295,411,000
2020	2	3	11	R6,220,588,000
2021	3	4	13	R4,439,971,000
2022	3	9	12	R8,527,022,000

Tables 4.3, shows the summary of the number of females, number of Blacks and number of socials/humanities in the board together with net profit. Net profit is a dependent variable while board diversity represented by number of females, number of Blacks, number of accountants are independent variables. These data were further extracted to the SPSS software to get the results of regression.

Table 4.4: Summary of FNB (number of females, Blacks, profession and net profit) for five years.

Year	Females	Blacks	Social/Humanities	Net Profit
2018	5	9	14	R28,144,000,000
2019	6	10	16	R31,853,000,000
2020	5	8	15	R18,780,000,000
2021	3	7	11	R28,310,000,000
2022	4	6	9	R34,639,000,000

Tables 4.4, shows the summary of the number of females, number of Blacks and number of socials/humanities on the board together with net profit. Net profit is a dependent variable while the number of females, number of Blacks represent board diversity; number of accountants are independent variables. These data were further extracted to the SPSS software to get the results of regression.

Table 4.5: Summary of Nedbank (number of females, Blacks, profession and net profit) for five years.

Year	Females	Blacks	Social/Humanities	Net Profit
2018	4	12	15	R14,135,000,000
2019	4	11	13	R12,810,000,000
2020	3	9	12	R4,454,000,000
2021	4	9	13	R9,248,000,000
2022	4	9	14	R11,303,000,000

Tables 4.5, shows the summarised number of females, number of Blacks and number of socials/humanities in the board together with net profit. Net profit is a dependent variable while number of females, number of Blacks represent board diversity; number of accountants are independent variables. These data were further extracted to the SPSS software to get the results of regression.

Table 4.6: Summary of Standard bank (number of females, Blacks, profession and net profit) for five years.

Year	Females	Blacks	Social/Humanities	Net Profit
2018	4	10	17	R28,951,000,000
2019	7	11	19	R30,450,000,000
2020	6	10	18	R17,840,000,000
2021	5	10	16	R28,056,000,000
2022	5	10	15	R39,383,000,000

Tables 4.6 shows the summarised number of females, number of Blacks and number of socials/humanities in the board together with net profit. Net profit is a dependent variable while number of females, number of Blacks represent board diversity; number of accountants is independent variables. These data were further extracted to the SPSS software to get the results of regression.

4.4 RESEARCH RESULTS

The following tables are a summary output of different banks:

Table 4.7: Regression test of Absa Bank

SUMMARY OUTPUT OF ABSA Bank

Regression Statistics	
Multiple R	0.2042657
R Square	0.0417245
Adjusted R Square	-2.833102
Standard Error	11960858
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	6.2291E+12	2.07637E+12	0.0145137	0.99633646
Residual	1	1.43062E+14	1.43062E+14		
Total	4	1.49291E+14			

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	13111000	179146882.2	0.073185756	0.9534914
Females	-1619000	8457604.093	-0.191425371	0.8795915
Blacks	1309000	8097539.426	0.161654045	0.8979705
Social/Humanuties	14000	14444108.79	0.000969253	0.999383

Tables 4.7, shows the regression test for Absa Bank. The table above shows five observations, that is, five years from 2018 - 2022 for Absa bank, which is listed on the JSE. The results in this table show standard error as 11960858.41. The standard error represents the average deviation of the observed values from the predicted values.

From the table above, the results show ANOVA that is analysis of variances. ANOVA is a statistical test that assesses the significance of the regression model as a whole.

In the ANOVA table, F represents F-statistics, that is, the test of overall significant of the regression model. In these cases, the F- Statistic is 0.014513734. ANOVA results also show significant F as 0.99633646 from the bank. Significant F represents the p-value associated with the F-statistic. The regression model is statistically significant when the p-value is low. In this case, the p-value exceeds 0.05, suggesting that the model may not be statistically significant at a conventional significance level of 0.05.

The table above indicates the coefficients. This section provides the coefficients for the independent variables in the regression model. In this analysis, none of the coefficients for the independent variables (Females, Blacks, and Social/Humanities) appears to be statistically significant at the conventional significance level of 0.05.

Table 4.8: Regression test of Capitec Bank

SUMMARY OUTPUT OF CAPITEC

Regression Statistics	
Multiple R	0.8637639
R Square	0.746088
Adjusted R Square	-0.0156479
Standard Error	1707637.5
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	8.56837E+12	2.856E+12	0.979458	0.613288999
Residual	1	2.91603E+12	2.916E+12		
Total	4	1.14844E+13			

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	10241383	16914179.61	0.605491	0.653394
Females	240958.19	3715583.372	0.0648507	0.958772
Blacks	598130.56	564748.0193	1.0591105	0.48173
Social/Humanuties	-669488.81	1897226.762	-0.3528776	0.784036

Tables 4.8 shows the regression test for Capitec bank. The table above shows five observations, that is, five years from 2018 - 2022 for Capitec bank, which is listed on the JSE. The results in this table show the standard error as 1707637.51. The standard error represents the average deviation of the observed values from the predicted values.

From the table above, the results show ANOVA, that is, an analysis of variances. ANOVA is a statistical test that assesses the significance of the regression model as a whole.

From the ANOVA table, F represents F-statistics, that is, the test of overall significant of the regression model. In these cases, the F- Statistic is 0.979457611. ANOVA results also show significant F as 0.613288999 from the bank. Significant F represents the p-value associated with the F-statistic. The regression model is statistically significant when the p-value is low. In this case, the p-value is greater than 0.05, suggesting that the model may not be statistically significant at a conventional significance level of 0.05.

The table above indicates the coefficients. This section provides the coefficients for the independent variables in the regression model. In this analysis, none of the coefficients for the independent variables (Females, Blacks, and Social/Humanities) appears to be statistically significant at the conventional significance level of 0.05.

Table 4.9: Regression test of FNB

SUMMARY OUTPUT OF FNB

Regression Statistics	
Multiple R	0.957675123
R Square	0.917141642
Adjusted R Square	0.668566569
Standard Error	3447628.658
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	1.31565E+14	4.39E+13	3.689596	0.361377468
Residual	1	1.18861E+13	1.19E+13		
Total	4	1.43451E+14			

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	30417776.6	8909429.917	3.41411	0.181394
Females	3063223.404	2839204.337	1.078902	0.47585
Blacks	6457925.532	2969809.972	2.174525	0.274403
Social/Humanuties	-5217446.809	1590272.515	-3.28085	0.188346

Tables 4.9, shows the regression test for FNB bank. The table above shows five observations, that is, five years from 2018 - 2022 for FNB bank, which is listed on the JSE. The results in this table show standard error as 3447628.658. The standard error represents the average deviation of the observed values from the predicted values.

From the table above, the results show ANOVA, that is, analysis of variances. ANOVA is a statistical test that assesses the significance of the regression model as a whole.

From the ANOVA table, F represents F-statistics, that is, the test of overall significance of the regression model. In these cases, the F- Statistic is 3.68959618. ANOVA results also show significance F as 0.361377468, from the bank. Significant F represents the p-value associated with the F-statistic. The regression model is statistically significant when the p-value is low. In this case, the p-value is greater than 0.05, suggesting that the model may not be statistically significant at a conventional significance level of 0.05.

The table above indicates the coefficients. This section provides the coefficients for the independent variables in the regression model. In this analysis, none of the coefficients for the independent variables (Females, Blacks, and Social/Humanities) appeared to be statistically significant at the conventional significance level of 0.05.

Table 4.10: Regression test of Nedbank

SUMMARY OUTPUT OF NEDBANK					
Regression Statistics					
Multiple R	0.986421516				
R Square	0.973027407				
Adjusted R Square	0.892109628				
Standard Error	1242707.796				
Observations	5				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	5.57109E+13	1.86E+13	12.0248902	0.208164522
Residual	1	1.54432E+12	1.54E+12		
Total	4	5.72553E+13			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-27202666.67	7334432.918	-3.7089	0.16765976	
Females	5106555.556	1913273.815	2.669015	0.22821637	
Blacks	1104555.556	560878.1034	1.969333	0.29912037	
Social/Humanuties	533000	878727.1097	0.606559	0.65289677	

Tables 4.10, shows the regression test for Nedbank. The table above shows five observations, that is, five years from 2018 - 2022 for Nedbank, which is listed on the JSE. The results in this table show the standard error as 1242707.796. The standard error represents the average deviation of the observed values from the predicted values.

From the table above, the results show ANOVA, that is, analysis of variances. ANOVA is a statistical test that assesses the significance of the regression model as a whole.

From ANOVA table, F represents F-statistics, that is, the test of overall significance of the regression model. In these cases, the F- Statistics is 12.02489016. ANOVA results also show significant F as 0.208164522, from the bank. Significant F represents the p-value associated with the F-statistic. The regression model is statistically significant when the p-value is low. In this case, the p-value is greater than 0.05, suggesting that the model may not be statistically significant at a conventional significance level of 0.05.

The table above indicates the coefficients. This section provides the coefficients for the independent variables in the regression model. In this analysis, none of the coefficients for the independent variables (Females, Blacks, and Social/Humanities) appears to be statistically significant at the conventional significance level of 0.05.

Table 4. 2: Regression test of Standard Bank

SUMMARY OUTPUT OF STANDARD BANK					
Regression Statistics					
Multiple R	0.96344116				
R Square	0.92821886				
Adjusted R Square	0.71287546				
Standard Error	4110000				
Observations	5				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	2.18436E+14	7.28119E+13	4.310412	0.337000178
Residual	1	1.68921E+13	1.68921E+13		
Total	4	2.35328E+14			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-79547000	64064897.37	-1.2416628	0.431633	
Females	-2632000	3063413.129	-0.8591724	0.54813	
Blacks	21774000	7958980.776	2.735777433	0.223097	
Social/Humanuties	-5847000	1937472.58	-3.01784916	0.203703	

Tables 4.11 shows the regression test for Standard Bank. The table above shows five observations, that is, five years from 2018 - 2022 for Standard Bank, which is listed on the JSE. The results in this table show standard error as 4110000. The standard error represents the average deviation of the observed values from the predicted values.

From the table above, the results show ANOVA, that is, an analysis of variances. ANOVA is a statistical test that assesses the significance of the regression model as a whole.

From ANOVA table, F represents F-statistics, that is, the test of the overall significance of the regression model. In these cases, the F- Statistic is 4.310412283. ANOVA results also show significant F as 0.337000178, from the bank. Significant F represents the p-value associated with the F-statistic. The regression model is statistically significant when the p-value is low. In this case, the p-value is greater than 0.05, suggesting that the model may not be statistically significant at a conventional significance level of 0.05.

The table above indicates the coefficients. This section provides the coefficients for the independent variables in the regression model. In this analysis, none of the coefficients for the independent variables (Females, Blacks, and Social/Humanities) appeared to be statistically significant at the conventional significance level of 0.05.

4.5 OVERVIEW OF RESEARCH FINDINGS

The purpose of this study was to investigate the relationship between the financial performance of banking companies listed on the JSE and board diversity. For five years, from 2018 to 2022, that is, five banking companies listed on the JSE, were used in the study.

This section presented the outcomes and made an association with literature review done in Chapter Two. Secondary data from companies' annual reports were used in this study. A quantitative method of analysing data was employed. As explained in Chapter Three, quantitative research is a method that gathers and analyses data using analytical techniques (Patten & Newhart, 2018).

4.5.1 The correlation between diversity of gender among BoDs and net profit

This study's first goal was to determine whether gender diversity on the board of directors and net profit are correlated. To determine if corporations have a diverse BoDs, integrated reports were collected from their websites. Over the years under investigation, it was discovered that practically all corporations had a minimum number of female board members. It may be said that there is a need to increase females on the board.

The research found that there is no correlation between the BoDs' gender and net profit in the companies under study from 2018 to 2022. Of the five companies under study, one company had the highest number of females on the board, which was seven out of 19 (37%). However, it seemed high but due to the number of board members, the percentage was very low. These companies showed that they were working on the board diversity regarding gender. The targeted percentage for their gender diversity was disclosed in their integrated reports. In supporting the first objective that there is no correlation between the BoDs' gender and net profit, Manyaga, Muturi and Oluoch (2020) state that there is no association between the gender of board members and net profit. They found that women board members had a negligible and non-significant impact on return on equity over time. Nevertheless, the study presented conflicting results compared to Ntim's (2015) research, which demonstrated that board gender diversity had a noteworthy and favourable impact on company performance. Conversely, Abu, Okpeh, and Okpe (2016) discovered that board gender diversity had an inconsequential effect on bank financial performance. Other researchers from various nations endorse the findings.

4.5.2 The association between racial on the Bods and net profit.

Concerning the second objective, which sought to evaluate the association between racial diversity on the board and net profit, company websites provided integrated reports that were collected in order to determine if the firms had racial diversity in the board. It was found that Whites dominated most companies. In some years, Blacks dominated except in one bank where it was dominated by the Blacks throughout. It was in 2022 where a high number of Whites on the board led that bank. It may be said that there is a need to increase Blacks on the board. The research found that there is no association between racial diversity on the BoDs and net profit on companies under study from 2018 to 2022. In supporting this study, Sharma, Moses, Borah and Adhikary (2020) indicate that the absorptive ability does not exert a substantial influence on the suggested correlation between ethnic diversity, social performance, and environmental performance. On the other hand, Sharma, Moses, Borah and Adhikary (2020) indicate that presence of independent directors has positively influenced the racial diversity.

4.5.3 The link between professional diversity in the board and net profit.

The third objective was to examine the link between professional diversity on the board and net profit. Data were obtained from the integrated yearly summaries of five firms listed on the JSE as of 2018 – 2022. It was found that the BoDs of all the companies had a minimum number of scientists. The highest number of members on the board were accountants in their profession. Some companies did not have even one scientist in the board. The highest number of scientists on the board was four out of 13 in one company, which comprised 31% in 2022. It may be said that there is a need to increase scientists on the board, as they will be bring other skills. The results indicate that there is no link between the BoDs' profession and net profit on companies under study from 2018 to 2022. In support of this study, Boadi, Osarfo and Boadi (2019) provide evidence that suggests bank-based development does not directly affect development but rather indirectly stimulates investment, which in turn fosters growth. In contradiction, the study concludes that the profit in Ghana's banking sector diverges, refuting the agency theory and the stakeholder theory." In particular, the educational backgrounds of board members have an impact on the financial health of banks. First-degree holders on boards significantly improve performance in all of the models that are used. For board members who hold a Doctor of Philosophy (PhD), the situation is the opposite (Boadi & Osarfo, 2019).

4.6 CONCLUSION

This chapter presented and discussed the results of this study using statistical analysis to meet the study's goals for research. The investigation found that there are insignificant relationships between board diversity (gender, racial and profession) and financial performance (net profit) of listed banking companies on JSE. Given the results above, it can be concluded that BODs do not influence the financial performance of companies. Moreover, the number of females, number of Blacks and number of professions other than accountants on board should be taken into consideration to improve financial performance.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

The summary, recommendations, and findings are organised into discrete sections in this chapter, which highlights the main points of the study. Summary of the study is provided in Section 5.2, full results are provided in Section 5.3, and recommendations resulting from the study are presented in Section 5.4.

5.2 SUMMARY OF THE STUDY

This study sought to establish a potential correlation between board diversity and financial performance. Achieving its objectives involved an exploration of existing literature, analysis of data, and a discussion of two prominent theories: the Agency Theory and the Stakeholder Theory. The Agency Theory emphasises the role of boards as agents for shareholders, while the Stakeholder Theory underscores the importance of boards adopting positive behaviours to address stakeholders' interests and enhance a company's financial performance.

Chapter Two delved into the literature review and theoretical framework shaping this study. The review was organised into sections based on the study's indicators of BoDs, organisational diversity, and firm performance. It highlighted that many company BoDs exhibit lower representation of women, people of colour, and individuals from scientific backgrounds. However, this seemingly limited diversity has not significantly influenced firm performance, largely due to the presence of a balanced mix of independent board members.

Chapter Three of this study focused on the research methodology adopted, highlighting the use of the quantitative approach and the correlational research design. This design facilitated the exploration of relationships between board diversity factors such as the number of females, Blacks, and accountants on the board. The quantitative method was deemed suitable as it allowed for the measurement of these variables in numerical terms, while net profit was measured in currency (Rand). The study used a sample of five banking companies listed on the JSE, considering data available from their websites and integrated annual reports through the IRESS database as valid. Independent variables included the count of females, Blacks, and accountants, while net profit served as the dependent variable. Panel data analysis was employed to scrutinise the data spanning five years (2018 - 2022) for these banking companies.

Chapter Four delves into the analysis, interpretation, and discussion of the data collected, utilising the methods outlined in Chapter Three. The study employed Multiple Linear Regression analysis to address the research objectives and queries. Panel regression analysis was specifically applied to gauge the impact of the number of females, Blacks, and accountants on the board in relation to net profit. The findings revealed an insignificant correlation between these factors and net profit. This suggests that companies might strive for a balanced representation of females, Blacks, and scientists on their boards, given the lack of association with net profit. Notably, the selected companies demonstrated compliance with good corporate governance principles, as emphasised by King IV, advocating for a majority of independent non-executive directors and a well-balanced administrative body with diverse skills, knowledge, and independence to fulfil their roles effectively.

5.3 CONTRIBUTION TO THE STUDY

This study contributes to the current body of knowledge on board diversity and corporate performance, particularly within the South African context. The findings regarding the relationship between board diversity and firm performance align with existing conclusions. Notably, the presence of females, Blacks, and scientists on the board was observed to have an impact on firm performance, emphasising their significance in influencing company outcomes.

5.4 LIMITATIONS OF THE STUDY

One limitation of this study could be the focus on solely banking sector companies. The research sampled only five banking companies listed on the JSE, limiting the scope to this particular sector. While the financial sector was covered, the study's sampling was confined to banking, potentially excluding insights from other banks not listed on the JSE. However, the selected banks were considered representative of the sector.

5.5 CONCLUSION

This study significantly contributes to understanding the impact of board diversity on financial performance within South Africa's banking sector. It's one of the few investigations focused on this relationship within the country's banking industry. Given the substantial influence of banking on both financial and non-financial aspects of the economy, the study's insights into board diversity's potential impact on company practices are particularly relevant. These findings contribute to the ongoing discussions on corporate governance and sustainability. Enhancing board diversity aligned with sustainable practices could be a way to address performance challenges in organisations. Future research exploring board characteristics, environmental, and social sustainability performance could provide valuable insights. Ultimately, increasing the representation of females, Blacks, and scientists on corporate boards could positively influence sustainability performance across many companies.

5.6 RECOMMENDATIONS

The study offers recommendations across academic, social, and industrial spheres.

5.6.1 Academic

Future research could expand its scope by incorporating a larger and more diverse sample, while exploring varied board characteristics beyond gender, race, and professional diversity in relation to firm performance. Employing a mixed-method approach could offer a richer understanding in future investigations. This study's insights could significantly benefit ongoing and forthcoming research endeavours in this domain, enhancing the understanding of board diversity's impact on financial performance. Additionally, disseminating this study's findings to stakeholders can facilitate further academic exploration in this area.

5.6.2 Social

The study holds potential in guiding companies toward compliance with regulations and embracing robust corporate governance practices. Moreover, its insights could contribute significantly to societal initiatives focusing on Environmental, Social, and Governance (ESG) programs and the attainment of Sustainable Development Goals (SDGs).

5.6.3 Industry

The study's findings underscore the importance for companies to align with the principles outlined in the King IV report, emphasising the need for diverse and balanced BoDs. Furthermore, the results advocate for strategic alignment by BoDs, ensuring sustainable benefits to society, the environment, and the companies themselves. The study also highlights the apparent deficit in the representation of females, individuals of black ethnicity, and scientists on these boards.

5.7 FUTURE RESEARCH

Future researchers might explore alternative sectors; employ varied variables to assess board characteristics, environmental impact, and social performance across a broader spectrum of companies. The study is limited by the fact that a five year period (2018 - 2022) was selected to conduct the observation and to make the resultant recommendation.

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