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The Impact of Corporate Governance on Financial Performance: The Case of Listed Companies in the Consumer Services Sector in Botswana

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ABSTRACT

The concept of corporate governance relates to the procedures and practices that are implemented to run a company in such a way that its objectives are achieved. It is the mechanism and process to control and direct a business enterprise, which would result in appropriate balancing of the varied interests of the stakeholders and that of the organization. This study focused on the effect of corporate governance of listed companies in the consumer services sector in Botswana for the period 2012-2016. Financial statements of the listed consumer services companies were used as the main source of data. Return on Assets was taken as the dependent variable to measure profitability and Board size, gender diversity, male-female representation in the board, composition of executive and non-executive directorship, number of sub-committees and frequency of board meetings as independent variables. The findings indicated significant positive relationships between board size and the number of male board members and between board size and the number of non-executive directors; significant positive relationships between the number of non-executive members and the number of male board members and with the number of sub-committees; between female board representation and gender diversity and between the number of board sub-committee and the frequency of board meetings. Negative significant relationships were identified between male board representation and female board representation and between the number of executives and gender diversity. Return on assets, which measured the performance of the selected companies showed a strong negative relationship with number of sub-committees. Further analysis also revealed a significant impact of the number of subcommittees on the financial performance of the listed companies in the consumer services sector. None of the other independent variables showed any significant impact on the profitability of the selected firms. The study will be useful to the stakeholders to appreciate various dimensions of corporate governance and their influence in the financial performance of business enterprises.

Key words: Corporate governance, financial performance, sub-committee, board size, gender diversity

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INTRODUCTION

Good corporate governance is considered very important for achieving the Millennium Development Goals and also as a pre-condition for sustainable economic growth (Oman and Blume 2005). Good corporate governance is associated with profitability of organizations and also the attainment of corporate objectives.

A good corporate governance system facilitates the solution of interest conflicts between majority and minority shareholders, managers and shareholders and stakeholders and shareholders (IFC 2004). Effective Corporate Governance requires the installation of mechanisms to ensure that firm executives respect the rights and interests of shareholders, as well as guarantee them to act responsibly with regard to generation, protection, and distribution of wealth invested in the firm. There exists widespread belief in the importance of the corporate governance mechanism for resolving the agency problem.

There are some studies that suggest that there is a link between corporate governance and organizational performance (Keile and Nicholson 2002; OECD 1998.). It is said that it is due to poor corporate governance practice in some organization around the world that led to the prominence of corporate governance. Corporate governance key objective is to enhance the shareholders wealth (Amba 2014)

Claessens (2003) states that corporate governance covers the relationship between shareholders, creditors and corporations, between institutions and corporations and between employees and corporations. Corporate governance could also include the corporate social responsibility that is, the environment and culture.

A study by Okwee, (2011) on corporate governance focused on internal governance aspects of Board structure and CEO duality. Financial performance was looked at in terms of profitability, loan portfolio quality and liquidity. The findings of the study were not complying with corporate governance and high risk levels are directly related to poor financial results. Babatunde and Akeju (2016) research also confirmed that corporate governance mechanisms enhanced firms' profitability in Nigeria. Oman and Blume (2005) stated that in developing countries issues of corporate governance are more frequently relationship based which could influence insider trading and corruption. Effective and good corporate governance is important for the proper functioning of the corporation and it improves economic efficiency and growth as well as enhances investor confidence (Alem, 2011). Good corporate governance is illustrated by good accountability and that it mitigates and reduces the level of risk, boosts public acceptance and public image. The improvement of firms profit is essential to attain overall corporate objectives (Gill & Mathur, 2011; Narwal & Jindal, 2015).

The consumer services sector constitutes an important constituent of a country's economy. It plays a significant role in job creation.

This study focuses on the impact of corporate governance on the financial performance of selected consumer companies in the services sector in Botswana. This research covered six listed companies in the consumer services sector in Botswana for a 5-year period from 2012 to 2016.

Significance of the study

Corporate governance is considered to be very important and a condition for sustainable economic growth of any country. For the private sector, significant benefits are linked to higher corporate governance standards. These benefits include better access to external finance,

lower costs of capital and better firm performance. The problem that is currently faced by firms is lack of appreciation of various dimensions of corporate governance and their impact on the financial performance.

Research on governance issues especially in developing countries such as Botswana is limited. Corporate governance in the consumer services sector in Botswana is poorly understood and its specific governance issues remain unexplored despite the fact that the sector plays a very important role in the social and economic development of the country. Given the role and importance of corporate governance, it is important and relevant to examine its impact on the financial performance of selected listed consumer services sector in Botswana. Little attention has been paid to the governance needs of this sector. In addition, research indicates that very few studies have been carried out in Botswana on the impact of corporate governance on performance of business enterprises. This study will, therefore, fill in the research gap that currently exists on this topic. In the academic arena, the study will be seen as a contribution to the existing body of knowledge on corporate governance and its influence on the financial performance of business organizations.

Objectives of the study

The objective of the study is to explore the impact of corporate governance on the financial performance of list companies in the consumer services sector in Botswana.

Hypotheses of the study

The study tested the following five (5) null hypotheses:

Ho_1: Board size has no significant impact on the financial performance of listed companies

Ho_2: Gender diversity has no significant impact on the financial performance of listed companies

Ho_3: Composition of executive and non-executive directorship has no significant impact on the financial performance of listed companies

Ho_4: number of subcommittees has no significant impact on the financial performance of listed companies

Ho_5: Frequency of board meetings has no significant impact on the financial performance of listed companies

LITERATURE REVIEW

Theoretical Review

The theoretical framework is the structure that can support or hold a theory of a research study and exhibits an understanding of the concepts and theories that are pertinent to the topic of the research. This study focused on two important theories namely Agency Theory and Stewardship Theory.

In agency theory, owners are principals and managers are agents. In a company, owners are the shareholders and directors are the agents. In the context of corporate governance and its impact on performance, therefore, the theory underscores the role of directors in a firm's financial performance. The directors are expected to take care of the interest of shareholders disregarding their own interest. This may not happen always on account of differences in interest. The agents tend to focus on their interest as against the shareholders' interest of profit maximization. This could be a problem as this may lead to conflict between the principal and agent. Efforts should, therefore, be made to address such conflicts, by changing the rules under which the directors in a company are expected to operate. The shareholders can make use of corporate governance to come up with rules for operations and incentives that motivate the directors to take shareholders' interest on board and reduce agency cost. According to Vu

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and Nguyen (2017) agency theory pays a lot of attention to the board decision-making process concerning board performance and is monitoring function in reducing cost of agency.

Stewardship, theory, on the other hand, takes managers as stewards and underscores that the conduct of the managers is very much aligned to that of the shareholders. Performance excellence is identified as the motivation factor for these managers to perform well as also their desire to gain recognition from their supervisors. The theory underscores on the nature of board composition that has a bearing on firm's performance (Vu and Nguyen 2017). The underlying principle behind this theory is that it expects the organization to come up with a structure that emphasizes harmony between managers and owners.

Empirical Literature Review

The impact of corporate governance on the financial performance of listed companies in various sectors has been assessed by academicians and researchers at various times. A review of those studies are presented below:

Harun (2017) looked at the effect of corporate governance on the financial performance of Ethiopian Private Banks and found that board gender diversity and liquidity ratio do not have a significant effect on performance, while board members' educational qualification is positively and significantly related to performance of the selected banks. The study also revealed that the number of sub-committee, board meeting frequency and board ownership had insignificant impact on the performance of selected banks.

Another study by Kumari and Pattanayak (2017) on corporate governance and performance of Indian commercial banks revealed that corporate governance factors function as restricting variables for earnings management practices. It was also highlighted that market-based firm performance variables are significantly related to management earnings and corporate governance systems.

Salim and Iskandar's (2017) investigation on the impact of corporate governance dimensions on the performance of 27 insurance companies in Jordan indicated a positive relationship between the corporate governance dimensions and the number of outside board members and foreign ownership. A negative relationship was also identified between performance and the separation of CEO and Chair roles.

Vu and Nguyen, (2017) analyzed the data of 137 listed Singaporean companies for the period 2013 to 2016 to measure the impact of corporate governance on financial performance and found an inverse association between board size and firm performance. The study, however, did not find any significant relationship between board independence, CEO duality and company financial performance.

An analysis of the impact of the size of the board of directors, audit committee, institutional ownership and managerial ownership on the financial performance on 156 Indonesia firms listed on the Indonesia Stock Exchange by Herdjiono and Sari (2017) using linear regression analysis, revealed that the size of the board of directors had a positive impact on the performance, whereas no significant impact was detected for institutional ownership and managerial ownership on firms' performance.

Buallay, Hamdan and Zureigat, (2017) studied the impact of corporate governance on firms' performance among 171 listed companies in Saudi Arabia stock exchange for the period 2012-2014 with corporate governing principals as independent variable and ROA, ROE and Tobin's

Q as dependent variables. The study found a significant impact for the ownership and the size of the board of directors on firms' performance.

An empirical research on 177 listed firms in Vietnam was carried out by Vo and Nguyen, (2014) on the relationship between corporate governance and firm performance using dual role of CEO, board size, board independence and ownership concentration as independent variables and found that duality role of the CEO was positively correlated with the performance of selected firms; there was a structural change in the relationship between managerial ownership and firm performance and board independence had an inverse impact on firm performance. No significant relationship was found between board size and performance.

Dzingai, & Fakoya, (2017) examined the effect of corporate governance structures on the selected listed mining firms in Johannesburg stock exchange for the period 2010-2015 and found that a weak negative correlation existed between Return on Equity and board size, a weak but positive relationship between Return on Equity and board independence, a weak but positive correlation between ROE and sales growth and a negative and weak relationship between ROE and firm size.

A study to evaluate the effect of management efficiency on financial performance of savings and credit societies in Kenya was made on 83 SACCOs for the period 2011-2015 by Barus, Muturi, Kibati, and Koima (2017) and the results indicated that management efficiency had no significant influence on the financial performance of selected SACCOs in Kenya.

Gitonga (2016) examined the governance factors and their impact on financial performance of banks in Kenya and reported that governance factors such as Corporate Governance Policies and Rights of shareholders that constitute sixty-one percent of the governance factors affect the performance of selected banks.

The study conducted by Goel and Ramesh, (2016), showed that there was a significant relationship between total corporate governance score and Tobin Q ratio of market valuation in the selected Indian companies, where as individual parameters of corporate governance had no significant impact on market valuation and profitability.

Another research was carried out by Babatunde and Akeju (2016) on corporate governance and its impact on profitability among 60 selected listed companies in Nigeria. The study revealed that the corporate governance mechanisms such as board characteristics, audit committee, board independence, size and growth of the firms increase the selected companies' profitability.

Mutuku, (2016) carried out research on the effects of corporate governance on financial performance of Savings and Credit Cooperative Societies in Machakos, Kenya and found that there was a positive correlation between board composition and financial performance. Highest impact was seen in the case of academic qualification and occupation on performance. A strong positive correlation was also found between board leadership and performance as well as between transparency/disclosure on financial performance. Besides, a weak positive correlation was detected between gender and Societies' financial performance and a negative relationship between board size and performance.

Narwal and Jindal, (2015) analyzed the annual reports of selected Indian companies in textile industry to establish relationship between profitability and corporate governance parameters

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such as board size, audit committee members, board meetings, non-executive directors, director's remuneration and observed a strong relationship between director's remuneration and profitability, a negative relationship between audit committee membership and profitability with no significant relationship between profitability and board size, frequency of board meetings and the number of non-executive directors.

Adekunle and Aghedo, (2014) investigated the impact of corporate governance on the financial performance of selected listed firm in Nigeria with Return on Assets (ROA) and Profit Margin (PM) as dependent variables and composition of board membership, board size, CEO status and ownership concentration as independent variables. The analysis showed that there was a positive and significant relationship between composition of board member and board size and firm performance. However, a negative relationship was established between ownership concentration and Return on Assets.

A study focusing on 647 Directors and 8 sub-country officers of Savings and Credit Cooperative Organizations in Meru, Kenya was carried out by Samson (2014) to look at the influence of corporate governance on financial performance and reported that 40.8% of directors found the credit risk high in SACCOs and that the financial performance can be explained by democracy in management of the SACCO.

Thuraisingam (2013) investigated the relationship between corporate governance and performance of 33 banks, finance and insurance organizations listed in Colombo stock exchange, Sri Lanka for the period 2008-2011. The study considered board size, board composition and audit committee as independent variables and Return on Assets and Return on Equity as Dependent variables. The results indicated that there was no significant relationship between the two performance measures and corporate governance.

There are conflicting empirical results regarding the impact of board size to company financial performance. Some scholars concluded that there was a negative relationship between Board size and financial performance, implying large board sizes are less effective (Guest, 2009; Uwuigbe & Fakile, 2012; Zabri, Ahmad & Awah, 2016; Palaniappan, 2017). However, Kathuria & Dash (1999), Ado, Shafie and Gonie (2017) and Malik et al, (2014) findings showed a positive relationship between board size and firm financial performance whilst Ghabayen (2012) found no effect of Board size on firm financial performance.

The effects of board composition to a firm's financial performance have yielded mixed results. Muller (2014) concluded that the proportion of non-executive directors had a strong significant positive impact on firm financial performance. Puni, Osei and Ofei (2014) established that executive directors had a positive and significant effect on company financial performance whilst non-executive directors had a negative and insignificant effect on corporate financial performance in Ghana listed companies. Surprisingly other studies found the non-executive directors had no significant effect on company financial performance (Van Ness, Miesing & Kang, 2010; Ongore,Peter, Ogutu & Bosire, 2015).

Empirically the findings available are not conclusive regarding the impact of board gender diversity to firms' financial performance. Some studies established a positive impact from board gender diversity to company financial performance (Ongore, Peter, Ogutu & Bosire, 2015; Julizaerma & Sori, 2012; Kılıç & Kuzey, 2016). The positive impact of gender diversity to company financial performance was revealed when the gender diversity of Board committees was considered (Carter, D'Souza, Simkins & Simpson, 2007; Green & Homroy, 2015). However, other studies revealed that gender diversity has no significant impact on firms' financial

performance (Van Ness, Miesing & Kang, 2010; Sanan, 2016; Gallego-Álvarez, García-Sánchez & Rodríguez-Dominguez, 2010).

METHODOLOGY

The purpose of this paper is to explore the effect of corporate governance on the financial performance of listed companies in the consumer services sector in Botswana for the period 2012-2016. The study has adopted an analytical and descriptive research design.

Literature indicates that a number of corporate governance parameters are used to measure the effect of corporate governance on firms' performance. The following model developed for the study takes into account the literature on corporate governance and profitability.

Variables	Acronym	Measurement
Return on Assets	ROA	Profit before interest and Tax as a percentage of Total Assets
Board size	BSE	Total number of persons serving in the board of directors
Executive	EXC	Total number of persons serving as executive directors in the board
Non-executive	NEX	Total number of persons serving as non-executive directors in the board
Male directors	MDS	Total number of male directors in the board of directors
Female directors	FDS	Total number of female directors in the board of directors
Board Gender Diversity	BGD	Percentage of female directors divided by the total number of directors in the board
No of sub-committee	NSC	Total number of active subcommittee
Board meeting frequency	BMF	Number of board meetings held in a given period
Revenue growth	REG	Percentage of annual total net revenue growth
Asset turnover	ATR	Percentage of total net revenue over total assets

Table 1: Variables and their measurement

Firm Financial Performance and Corporate Governance Indicators

Firm Financial Performance

Return on Assets (ROA) is an accounting based performance measurement commonly used to measure company performance in relation to corporate governance (Guest, 2009; V. Muller, 2014; Al-Matari, Al-Swadi & Fadzil, 2014; Zabri, Ahmad & Awah, 2016;).According to this study, ROA is the profit before interest and tax for a reporting period divided by total assets for the period. It shows the rate of return realized by the company from all the assets available for the period under consideration.

Board Size and Financial Performance

Board size is the number of directors making up the corporate Board. The Board of Directors plays a crucial role in the corporate governance of the modern companies (Guest, 2009). The major responsibility of the Board of directors is to ensure that shareholders' wealth is maximized through having proper structures and strategies for the company.

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There is no agreed size of Board directors, a large board is believed to bring in bureaucracy in terms of decision making amongst the members, whilst another school of thought supports that a large diversified board, whose members are from different professional backgrounds will bring more ideas that add value to the company.

Board Composition and Financial Performance

Board composition is the mix of the board members in terms of either being executives (inside directors) or non-executives (independent or outside directors) (Müller, 2014). Executive directors are involved in the day-to-day operations of the company whilst non-executives are involved at strategic level in Board, Committee and Shareholder meetings. According to Puni, Osei and & Ofei (2014) as a result of agency problem, there is a general consensus that the Board of Directors must comprise of outside directors, who monitor and oversee the executive directors' decisions and actions in order to maximize shareholders' value.

Board Gender diversity and Financial Performance

Board gender diversity refers to the proportion of female board members to the total number of board members. Gender diversity is a matter that has attracted attention from almost all sectors and organizations be it private or public institutions. Universities admissions and parliament representation have also not been spared from the call for gender diversity requiring females to be given equal opportunities as their male counterparts. The call for female representation has also reached the boardroom in which companies are required to include females on their Board of directors (Kılıç & Kuzey, 2016). It is believed that female board members can bring diversity and new ideas to board that can result to better financial performance of companies (Julizaerma & Sori, 2012).

Board Committees and Financial Performance

Board committees are committees comprising of members of the Board of directors specifically assigned to carry out certain tasks on behalf of the Board. The number of Board committees varies amongst firms based on the Board's delegated roles, size of the firm (Chen & Wu, 2016) and also as a result of rules and regulations in place (Brick & Chidambaran, 2010). The most common Board committees are Audit Committee, Nomination Committee and Remuneration Committee and the committees members are experts in the tasks assigned to the committees (Puni, 2015).

The more the number of Board committees the easier it becomes for main Board to resolve various issues affecting the firm resulting in better firm financial performance holding all other things constant. There are no previous studies regarding the impact of number of Board committees to the financial performance of firms.

Board meetings frequency and financial performance

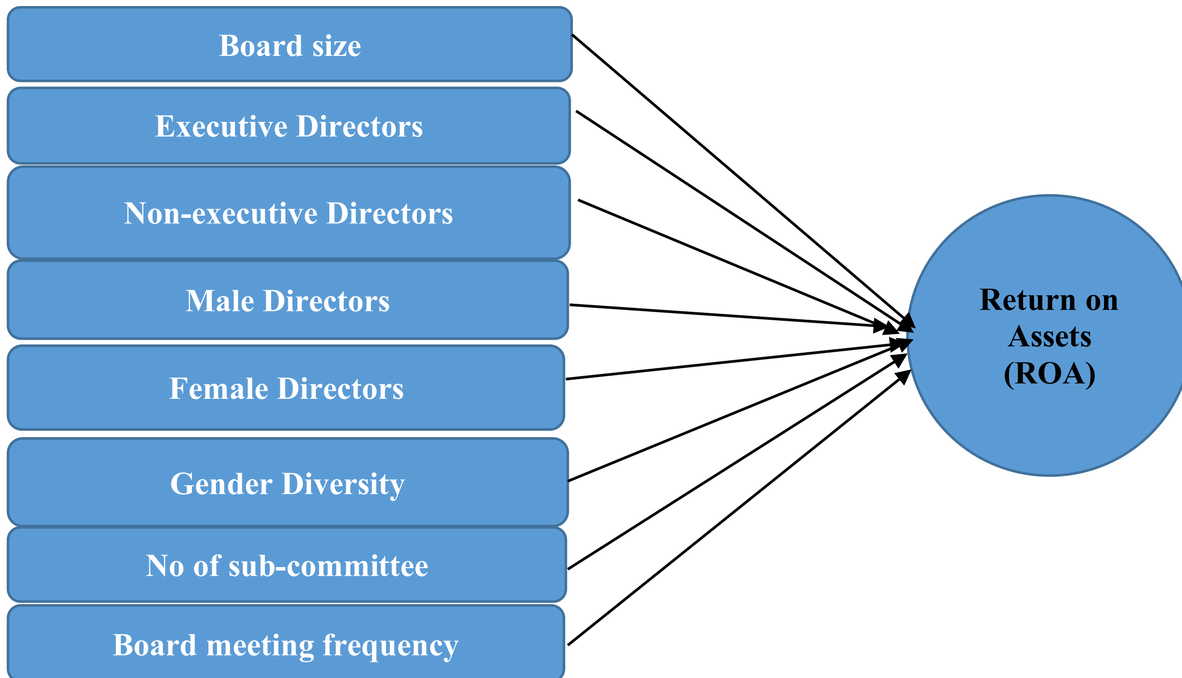
Board meetings frequency is the number of times board meetings are held per financial year of a corporation according to this study. The main responsibility of the Board of directors is to come up with business strategy of the company and ensure its implementation by management in compliance with rules and regulations in order to maximize shareholders' wealth (Nikomborirak, 2001). The Board has to meet frequently in order to fulfill its oversight role on management actions.

The frequency of board meetings empirically has mixed results in terms of its impact to companies' financial performance. The more often board meetings were held and the better was the financial performance of the firms (Joseph, Madugba & Okpe, 2015; Brick & Chidambaran, 2010).

CONCEPTUAL FRAME WORK

The following diagram indicates the independent variables and dependent variable used in the study to measure the impact of the independent variables of Board size, executive and non-executive directors, male and female directors, board gender diversity, number of sub-committee, board meeting frequency on the Dependent variable Return on Assets (ROA) of the listed companies in the consumer services sector in Botswana.

Figure 1: Diagram of Independent & Dependent variables



Data source and Sampling

The research population is all the listed companies in the consumer services sector in Botswana. The study used non-probability sampling (purposive sampling) where a pre-specified group are purposively pursued and tested. The data was obtained from annual reports of the six listed consumer services companies on Botswana Stock Exchange (BSE) for the period from 2012-2016.

Model for Data Analysis

This data included the dependent variable being Return on Assets (ROA) and the independent variables being eight corporate governance mechanisms that is, board size, executive and non-executive directors, male and female directors, gender diversity, number of sub-committee and the frequency of board meetings. The relationship is mathematically expressed in equation 1;

$$ROA_t=\beta_0+\beta_1 BSE_t+\beta_2 EXC_t+\beta_3 NEX_t+\beta_4 MDS_t+\beta_5 FDS_t+\beta_6 BGD_t+\beta_7 NSC_t+\beta_8 BMF_t+\varepsilon_t \quad (1)$$

Where;
ROA_t =Return on Assets
BSE=Board size
EXC= Executive directors
NEX= Non-executive directors
MDS= Male directors
FDS= Female directors
BGD= Board gender diversity
NSC= Number of sub-committee

BMF= Board meeting frequency

$\beta_0, \beta_1, \beta_n$=Coefficients

ε_t =error term

DATA ANALYSIS, AND DISCUSSION OF FINDINGS

This section presents the data analysis, discussions and findings. The data was analysed using descriptive statistics, correlation analysis and regression analysis. The data covers a 5- year period from 2012-2016. Statistical Package for Social Sciences (SPSS) was used to carry out the analysis.

Descriptive statistics

Descriptive Statistics										
	N	Min	Max	Mean	SD	Variance	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Board size	30	5	16	9.3	2.423	5.872	0.792	0.427	0.607	0.833
Executives	30	1	5	2.87	1.224	1.5	0.029	0.427	-0.767	0.833
NEX	30	3	11	6.43	2.36	5.56	0.132	0.427	-0.889	0.833
Male	30	4	16	8.73	2.75	7.58	0.797	0.427	0.22	0.833
Female	30	0	2	0.53	0.629	0.395	0.758	0.427	-0.321	0.833
BGD	30	0	22	6.73	7.74	59.93	0.506	0.427	-1.304	0.833
NSC	30	1	6	2.63	1.69	2.86	0.899	0.427	-0.227	0.833
BMF	30	1	7	4	1.17	1.38	0.684	0.427	2.638	0.833
Growth	30	0.6	46.3	14.88	10.8	116.59	0.923	0.427	1.15	0.833
Asset Turnover	30	0.67	3.08	1.56	0.7	0.495	0.885	0.427	-0.307	0.833
PBIT_TA	30	4	27.4	14.273	5.21	27.14	0.358	0.427	0.593	0.833

Table 2. Descriptive statistics of the data

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data.

The sample was made up of six listed companies in the consumer services sector for period of 5 years, making a total of 30 observations. On an average, the dependent variable (PBIT_TA) had a mean value of 14.3%.

The data spread from the mean is best described by standard deviation. Results indicate that the standard deviation of the dependent variable is 5.2. With normal data, most of the observations are spread within 2.6 standard deviations on each side of the mean. Looking at other variables, the board size of the listed companies under study had an average size of 9 throughout the 5 year period. It is also observed that the mean difference of Non-executives is higher than for the executive. Again on average, the listed companies had a very high number of males (9) in positions compared to their counterparts (1). The results also show a variance of 27.14 for Return on Assets, which indicates a high variation of the sample.

Correlation Analysis

		Correlations ROA	BSE	EXC	NEX	MDS	FDS	BGD	NSC	BMF
ROA	Pearson Correlation	1								
	Sig. (2-tailed)									
BSE	Pearson Correlation	-.111	1							
	Sig. (2-tailed)	.559								
EXC	Pearson Correlation	-.117	.305	1						
	Sig. (2-tailed)	.539	.102							
NEX	Pearson Correlation	-.053	.869**	-.206	1					
	Sig. (2-tailed)	.779	.000	.274						
MDS	Pearson Correlation	-.084	.968**	.439*	.767**	1				
	Sig. (2-tailed)	.657	.000	.015	.000					
FDS	Pearson Correlation	-.068	-.380*	-.666**	-.045	-.592**	1			
	Sig. (2-tailed)	.721	.038	.000	.814	.001				
BGD	Pearson Correlation	-.064	-.486**	-.670**	-.152	-.673**	.965**	1		
	Sig. (2-tailed)	.736	.006	.000	.422	.000	.000			
NSC	Pearson Correlation	-.545**	.432*	-.158	.525**	.393*	-.037	-.045	1	
	Sig. (2-tailed)	.002	.017	.405	.003	.032	.847	.815		
BMF	Pearson Correlation	-.051	.206	-.384*	.411*	.149	.140	.121	.521**	1
	Sig. (2-tailed)	.790	.275	.036	.024	.431	.460	.523	.003	
	N	30	30	30	30	30	30	30	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3: Correlation Analysis

Pearson's correlation is a measure of the strength and direction of association that exists between two continuous variables. The inter-correlations are an important part in trying to find the associations between variable. It seeks to find how items behave with each other. In other words, it sorts relationship between the independent variables

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.

22% of correlations were significant at 1% level, 17% of them were significant at 5% level, and the rest were insignificant. Two strong positive significant relationship were found between Board size and male board representation, (p= .000, r= .968) and between Board size and number of non-executive directors, (p= .000, r =.869).

A significant negative correlation was found between number of executives and female board representation, (p= .000, r= -.666), and between number of executives and gender diversity, (p= .000, r= -.670), which imply that as number of executive on a Board increases, female representation on the Board decreases.

A significant positive relationship exist between number of non-executives and male board representation, (p= .000, r= .767) and, between number of non-executives and number of sub-committees, (p= .003, r= .525). When the number of non-executive directors increases, the male board members and sub-committees also increase.

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There was significant negative relationship between male board representation and gender diversity, (p= .000, r= -.673) and between male board representation and female board representation, (p= .001, r= -.592). However, there was a significant strong positive correlation between female board representation and gender diversity, (p= .000, r= .965).

Number of board committees reflected a significant positive relationship with the frequency of board meetings, (p= .003, r =.521) implying that an increase board committees will affect the board meetings to be held. Return on assets displayed a strong negative relationship with number of sub-committees, (p= .002, r= -.545).

Regression Analysis

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	19.785	6.233		3.174	0.004					
Board size	0.829	4.946	0.386	0.168	0.868	-0.111	0.036	0.025	0.004	233.625
Executives	-2.001	0.969	-0.47	-2.065	0.051	-0.117	-0.403	-0.311	0.437	2.291
Nonexecutives	0.829	4.946	0.375	0.168	0.868	-0.053	0.036	0.025	0.005	221.37
male	-0.309	4.991	-0.164	-0.062	0.951	-0.084	-0.013	-0.009	0.003	307.226
female	-4.827	8.331	-0.583	-0.579	0.568	-0.068	-0.123	-0.087	0.022	44.643
Gender Diversity	0.133	0.465	0.197	0.286	0.778	-0.064	0.061	0.043	0.047	21.07
subcommittee	-2.597	0.612	-0.843	-4.245	0.002	-0.545	-0.671	-0.639	0.574	1.742
BM frequency	0.934	0.852	0.211	1.097	0.285	-0.051	0.228	0.165	0.614	1.628

Table 4. Regression coefficients Analysis

The regression model measured the impact of the independent variables of Board size, number of executive directors, non-executive directors, number of male and female directors in the board, board gender diversity, the number of sub-committee and the board meeting frequency on the dependent variable of Return on Assets (ROA).

The regression output is shown in Table 4. Diagnostic tests were performed on the regression model. For example, the model was diagnosed for problems of serial correlation, multicollinearity and goodness of fit. The regression model presented an r-squared value of 0.545. This indicates that a good level of predication.

The results indicate that none except the number for board committees had a statistically significant relationship with the dependent variable viz. Return on Assets. The outcomes agree with the findings of Harun (2017) who found that the number of sub-committee had significant impact on the performance of selected banks. The p-values of other dependent variables were Board Size, p= .868, Executive directors p=.051, Non-Executive=.868 Female board representation, p= .568, Male board representation= .951, Gender diversity=.778 and Board meetings frequency, p= .285. The number of Board committees has a strong significant negative relationship with ROA (β = -84%; P = 0.002). These results imply that an increase in the number of Board committees has a negative impact on ROA. Based on above, Hypotheses 1, 2, 3 and 5 are accepted and Hypothesis 4 is rejected.

Table 5: Summary of accepted/rejected hypothesis.

Hypothesis	Statement (at 5% significant level)	Result
Ho_1	Board size has no significant impact on the financial performance of listed companies	Accepted
Ho_2	Gender diversity has no significant impact on the financial performance of listed companies	Accepted
Ho_3	Composition of executive and non-executive directorship has no significant impact on the financial performance of listed companies	Accepted
Ho_4:	number of subcommittees has no significant impact on the financial performance of listed companies	Rejected
Ho_5:	Frequency of board meetings has no significant impact on the financial performance of listed companies	Accepted

Summary of findings

The study revealed significant positive relationships between board size and the number of male board members and with the number of non-executive directors. Significant negative relationships were detected between number of executives in the board and the number of female board members and with gender diversity. The number of non-executive members exhibited a significant positive relationship with the number of male board members and with the number of sub-committees. Also, a significant negative relationship between male board representation and gender diversity and between male board representation and female board representation were noted. There was, however, a significant strong positive correlation between female board representation and gender diversity. The number of board committees showed a significant positive relationship with the frequency of board meetings to imply that an increase in board sub-committees will affect the board meetings to be held. Return on assets, which measured the performance of the selected companies showed a strong negative relationship with number of sub-committees.

The study established that Board size, gender diversity, frequency of board meetings and, composition of executives and non-executive directors has no significant impact on the financial performance of listed companies. However, the number of Board committees has a significant negative impact on the financial performance of listed companies.

Recommendation

The gender diversity of the Board directors of consumers services companies listed in Botswana requires to be balanced. There are qualified and experienced females in managerial positions in Botswana, who can be appointed as directors and fulfill the same roles as their male counterparts.

LIMITATIONS & DIRECTIONS FOR FUTURE RESEARCH

The study had limitations in terms of getting data for other relevant variables such as Board members' qualification, board ownership etc. which were not readily available from company websites . A study in future with a much larger research population and for a longer period will provide a better picture on the impact of corporate governance on firm performance. Despite the aforementioned limitations, the study provides an in depth understanding of the influence of corporate governance mechanisms on the financial performance of listed companies in the consumer services sector in Botswana.

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