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Article

The Effect of Board Attributes on the Financial Performance of Commercial Banks: Evidence from Tanzania

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Abstract

This study examines the effect of board attributes on the financial performance of commercial banks in Tanzania, focusing on board meeting frequency, board size, and board gender diversity. Employing an explanatory research design, secondary data were extracted from the annual financial and corporate governance reports of Tanzanian commercial banks over the period 2018 to 2024. Panel data regression analysis was utilised to evaluate the relationships between the governance variables and financial performance, measured by return on assets. The findings reveal that board meeting frequency and board size exert no statistically significant effect on financial performance. Conversely, board gender diversity demonstrates a significant positive effect, indicating that greater female representation on boards enhances bank profitability. These results contribute empirical evidence to corporate governance literature within sub-Saharan Africa and suggest that policymakers and regulators should prioritise gender-inclusive board composition to foster sustainable financial performance in the banking sector.

Keywords: corporate governance; commercial banking; financial performance; board meetings; board size; board gender diversity

1. Introduction

Corporate governance is an essential framework for organisational management around the world, especially in the banking industry, where it promotes stability and investor confidence. By safeguarding stakeholder interests, effective governance arrangements give businesses easier access to finance and better performance. (Guluma, 2021). Board attributes, including size, gender diversity, expertise, and meeting frequency, are central to this system, influencing firm value and capital market efficiency. Across diverse international economies, commercial banks act as essential intermediaries that mobilise savings into productive investments, thereby facilitating industrialisation and global trade through specialised financial instruments like letters of credit and currency exchange.

The banking sectors in emerging markets such as Tanzania demonstrate the critical link between institutional governance and national economic growth. In Jordan, commercial banks boost GDP by supplying necessary funds to various economic sectors and providing government credit through securities and treasury bills. Similarly, Tanzanian banks underpin national trade and industry by offering finance solutions that mitigate export risks and stimulate economic activity. These regional perspectives highlight that banking sector performance, driven by structured governance, remains a primary catalyst for capital production and the development of emerging economic landscapes.

Commercial banks support the expansion of the economy by lending money to investors and by expanding the country's financial system. Commercial financiers are therefore crucial to the financial sector as well as the economy. The banking industry facilitates financial transactions between savers and borrowers by gathering surplus cash from individuals and directing it toward economically underperforming entities. The nation's banks create money, manage communal savings, guarantee the seamless operation of payment systems, facilitate international trade, store valuables, and offer

credit services. The financial performance of commercial banks is thus critical to the functioning of the economy.

Financial performance serves as a primary measure of an organisation's health and its capacity to generate shareholder wealth, with profitability acting as the central metric for evaluating operational efficiency and economic value (Horton, 2026). This profitability reflects management's ability to utilise internal resources and exploit external opportunities to produce maximum returns. Bank profitability is specifically driven by internal factors under management control such as capital allocation, liquidity, and expense management and external factors related to the broader legal and economic environment. Investors rely on these profitability indicators, typically measured through Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin, to assess investment viability and portfolio management. Most organisations employ accrual accounting to record these profits, providing a standardised view of the firm's financial position and long-term sustainability. Profitability was used to measure financial performance in this investigation.

A firm's governance structure dictates its ability to navigate external variables and directly impacts organisational success. High-performing companies typically possess superior management compared to poorly governed entities, making a solid corporate governance framework a prerequisite for excellent business performance. Board characteristics are the specific attributes of a board, such as size and gender diversity, that determine its effectiveness in providing oversight, strategic guidance, and management support. These elements collectively influence a firm's strategic direction and financial performance while ensuring that the board fulfils its goal of creating long-term value for stakeholders (Donohue, 2024). Board size, gender diversity, meeting frequency, and expertise are fundamental attributes of corporate governance that influence the strategic direction and financial stability of commercial banks. While larger boards offer broader expertise and enhanced oversight, they can face coordination challenges; conversely, an ideal size of seven to eight directors often leads to better business outcomes (Yan, Hui & Xin, 2021). Gender diversity introduces fresh perspectives and improves decision-making quality, potentially enhancing a firm's reputation and financial performance (Simionescu, Gherghina & Tawil, 2021). Regular board meetings serve as critical platforms for policy discussion and management alignment, though their effectiveness must outweigh associated administrative costs to reduce agency issues. Furthermore, the educational background and professional expertise of board members foster risk management and innovation (Odero & Egessa, 2023). The empirical evidence remains limited, necessitating research into how these combined attributes drive performance amidst unique regulatory and economic volatility.

Tanzania has 34 commercial banks, 2 Development Banks and 3 community banks. This research covers only the commercial banks. This part of the banking sector has experienced a consistent and rapid upward trend in profitability over the last five years due to revenue diversification, reduction of non-performing loans and credit expansion. However, the profitability trend is highly concentrated with just two major banks, NMB and CRDB, accounting for 60% of total industry profits.

Numerous studies on green practices and performance have provided this study with research gaps. For instance, Studies by Kyei, Werner, and Appiah (2022) show that board meetings significantly impact the ROA of African banks. Despite these findings, results remain mixed regarding the specific direction of these effects. Furthermore, board attributes such as independence and expertise are crucial in addressing corporate governance challenges within Tanzanian commercial banks. Independent directors enhance oversight by mitigating conflicts of interest and ensuring decisions align with stakeholder interests, thereby strengthening accountability (Waweru & Uliana, 2016). Concurrently, board members possessing specialised knowledge in risk management, particularly in handling non-performing loans, can improve credit oversight and implement effective measures to curtail financial distress. These attributes foster more robust governance, promoting financial stability and restoring confidence in the banking sector. Whereas researches like Adams and Ferreira (2009) analysed gender diversity in advanced markets, this investigation addressed the nexus of board characteristics with capital adequacy in Tanzania's regulatory context. This investigation filled knowledge and conceptual gaps by exploring the effect

of board characteristics on the financial performance of commercial banks in Tanzania, and also examined the moderating role of capital adequacy in this relationship. Due to the varying contextual, conceptual, and methodological gaps, this research seeks to evaluate the effect of board characteristics on the financial performance of commercial banks in Tanzania, and to examine the moderating role of capital adequacy in this relationship.

Based on the discussion above, the following hypotheses are proposed:

H₀₁: Frequency of board meetings has no significant effect on financial performance of commercial banks.

H₀₂: Board size has no significant effect on financial performance of commercial banks.

H₀₃: Board gender diversity has no significant effect on financial performance of commercial banks.

2. Literature Review

Resource Dependency Theory (RDT) posits that organisations rely on external resources for survival and must manage these dependencies to mitigate environmental uncertainty. For commercial banks, critical resources include Central Bank liquidity, international capital networks, and technological providers, making the board of directors a vital conduit for accessing regulatory support and strategic partnerships. The theory suggests that board composition specifically size, diversity, and expertise should align with the firm's specific resource needs to enhance financial performance and capital adequacy (Hillman, Cannella, & Paetzold, 2000). While critics argue that RDT overemphasises external constraints and underplays internal agency, the theory remains essential for understanding how directors leverage their networks and specialised knowledge to reduce transaction costs and ensure operational resilience. Consequently, RDT supports the inclusion of board members with varied professional connections and high education levels to secure the assets necessary for competitive advantage in resource-scarce environments.

Stakeholder theory, introduced by Freeman (1984), views companies as social entities that must balance the diverse interests of employees, suppliers, customers, and government agencies to ensure long-term success. Unlike agency theory, which prioritises shareholders, this framework suggests that managers should maximise value for all parties affected by the firm's operations to enhance corporate social responsibility and financial performance (Donaldson & Preston, 1995). While critics like Jensen (2001) argue that the theory lacks a singular goal and fails to account for asymmetrical power dynamics between groups, it remains a vital justification for inclusive governance. Specifically, the theory supports board gender diversity as a means of integrating diverse voices and meeting societal expectations for fairness and accountability. By addressing these varied stakeholder needs, boards can foster the trust and legitimacy required to improve the overall financial performance and stability of commercial banks.

Institutional theory, developed by Meyer and Rowan (1977), posits that organisations must adapt to their external environments including regulatory bodies, laws, and public opinion to gain legitimacy and ensure survival (Scott, 1987). It suggests that formal structures often reflect "rationalised myths" adopted to secure credibility and resources rather than purely for efficiency (Boon, Paauwe, Boselie & Den Hartog, 2009). While critics argue that the theory understates individual agency and overlooks internal power dynamics, it remains vital for explaining why firms under similar pressures, such as Tanzanian commercial banks, adopt homogeneous governance practices (Greenwood & Hinings, 1996). Banks face coercive, mimetic, and normative pressures that influence board characteristics like size and meeting frequency, as compliance with these institutional norms enhances status and resource access (DiMaggio & Powell, 1983). Ultimately, Scott's three pillars regulative, normative, and cultural-cognitive provide a framework for understanding how external expectations and professional standards shape the internal governance structures necessary for institutional legitimacy within the banking sector.

Usman, Gurama, and Murtala (2020) analyzed the effect of board size on the financial performance of Nigerian listed non-financial companies. Using a quantitative design and secondary data, the study assessed 122 non-financial firms listed on the NSE over a two-year period (2014–2015). Financial performance was measured using Return on Equity (ROE) and Return on Assets (ROA), and board size was operationalised as the number of directors serving on each board annually. The results demonstrated a negative relationship between board size and firm performance, leading to the conclusion that excessively large boards could impair firm efficiency. Control variables in the model included firm leverage, age, and industry type. While the study did not explicitly outline a theoretical framework, the findings align with the predictions of agency theory, which warns against overly large boards due to potential for increased agency costs and coordination inefficiencies. A significant limitation of the study is the short observation period and its restriction to non-financial firms, limiting its relevance to financial institutions. The current study expands this scope by analysing Tanzanian deposit-taking banks over a longer period (2018–2023) using panel regression to account for unobserved heterogeneity.

Grace and Aiyenijo (2020) investigated the impact of board gender diversity on the financial performance of Nigerian listed Information and Communication Technology (ICT) firms over the period 2013 to 2017. The study employed Return on Equity (ROE) as the principal measure of financial success, with board gender diversity operationalised as the proportion of female directors on the board. Utilizing multiple regression and correlation analyses on a relatively small sample of seven publicly quoted ICT firms, the findings revealed a marginally negative but statistically insignificant impact of gender diversity on financial performance, indicating that increasing female representation on boards was associated with a slight decline in ROE. Control variables included firm size and leverage to isolate the effect of gender diversity. The study was framed within agency theory, emphasizing the role of board composition in mitigating agency conflicts; however, it acknowledged limitations due to the small sample size and narrow industry focus, which restrict the external validity of its findings. While this study concentrated on Nigerian ICT firms, the present research extends the investigation to the profitability of Tanzanian commercial banks.

Fariha, Hossain, and Ghosh (2022) investigated the effect of board composition—specifically the frequency of board meetings on the financial performance of publicly listed money deposit banks in Bangladesh between 2011 and 2017. The study utilised a sample of 30 commercial banks listed on the Dhaka Stock Exchange (DSE) and employed a pooled Ordinary Least Squares (OLS) regression model. Financial performance was measured using Return on Assets (ROA), while board meetings were captured in terms of their annual frequency. The authors reported a strong and positive relationship between board meetings and ROA, suggesting that increased meeting frequency enhances managerial oversight and decision-making. Control variables in the model included bank size, leverage, and audit committee activity. While the study was grounded in agency theory, emphasizing the monitoring role of boards, it did not account for the quality or duration of meetings, which is a key limitation. Moreover, the use of pooled OLS rather than panel estimation methods may raise concerns regarding unobserved heterogeneity. The current study draws from this by focusing on Tanzanian commercial banks but improves methodological rigor and context-specific relevance.

Ameen and Mustafa (2022) explored the relationship between board size and firm effectiveness among non-financial firms listed on Borsa Istanbul between 2013 and 2015. The study employed linear multiple regression, correlation matrix tests, and descriptive statistics to examine the nature of this relationship. Board size was defined by the total number of directors, while business effectiveness was measured using accounting-based indicators (although specific metrics such as ROA or ROE were not detailed). The study found a positive and significant association between board size and firm performance, suggesting that a moderately large board can enhance strategic oversight and access to external resources. Although not explicitly stated, the study aligns with the resource dependence theory, which posits that larger boards provide firms with more extensive networks and knowledge. Control variables included firm size, age, and industry classification. A key limitation of

the study is the limited time frame and geographical concentration in the Turkish context, which may reduce the applicability of the findings to other developing markets. The present research addresses this gap by analyzing a broader period and focusing on the Tanzanian commercial banking sector.

Kazan (2022) analyzed the effect of board gender diversity on firm performance among 89 German companies listed on the Frankfurt Stock Exchange from 2017 to 2019. Performance metrics included Tobin's Q (a market-based measure) alongside accounting-based indicators such as ROA and ROE. The study applied Ordinary Least Squares (OLS) regression to evaluate the relationship between board composition and firm effectiveness. Findings revealed no statistically significant positive relationship between gender diversity and firm performance; notably, gender diversity was associated with a significant reduction in Tobin's Q, while ROA and ROE remained unaffected. The authors suggested that these findings may reflect the complexities of integrating gender diversity into corporate governance in mature markets. Control variables encompassed firm size, leverage, and industry sector. The study was informed by institutional theory but acknowledged limitations due to potential measurement errors and the relatively short time frame. Unlike Kazan's focus on German firms, the present study examines Tanzanian commercial banks, a distinct institutional and regulatory context.

Al-Absy and Hasan (2023) explored the relationship between board meeting frequency and firm effectiveness among firms listed on the Bahrain Bourse during 2019–2020. The study utilised an OLS regression model, with firm performance measured by ROA, ROE, and Earnings Per Share (EPS), and governance attributes, including board meeting frequency, obtained from annual corporate governance reports. The findings indicated that the frequency of board meetings had no statistically significant effect on firm performance, implying that simply increasing the number of meetings may not enhance effectiveness unless meetings are strategically productive. Control variables included firm size, age, leverage, and board independence. Although not explicitly framed within a specific theory, the study aligns conceptually with resource dependence theory, particularly in its implication that board functionality, rather than formal structure, drives firm outcomes. The authors noted limitations related to the short data window of two years and the lack of qualitative data on meeting substance and board decision-making quality. The current research seeks to overcome these limitations by applying a longitudinal design over six years and incorporating a broader analytical framework within the Tanzanian banking sector

3. Research Methodology

3.1. Research Design

The investigation adopted the explanatory research design. This design was utilised to determine how board attributes affect the financial success of Tanzanian money deposit banks. The goal of explanatory research is to determine the cause-and-effect link amongst variables (Saunders, Lewis & Thornhill, 2023). However, it is important to acknowledge that, given the reliance on secondary data, the study primarily aims to examine the relationship and potential influence rather than definitively establish causality. An explanatory research approach is acceptable when the investigator is attempting to identify the fundamental causes of the phenomenon's change to understand how it operates; in this scenario, the independent variable is not manipulated (Kerlinger & Lee, 2000). Moreover, alternative research designs such as purely correlational studies may not suffice, as they do not seek to explore the underlying reasons behind observed relationships, while descriptive designs would fall short of addressing the dynamic interactions necessary to understand the influence of board attributes on financial performance..

3.2. Data Collection Tool and Procedure

A data collection worksheet was used to gather secondary data from the annual financial and corporate governance statements of all Tanzanian commercial banks over a seven year period from 2018 to 2024. Data on board size, meeting frequency, gender diversity, liquidity ratio, return on

equity, and return on assets was systematically extracted from bank websites and the Central Bank of Tanzania repository over a two-week period. To ensure reliability and address variations in reporting standards, the researcher implemented rigorous validation procedures, including cross-checking figures across report sections and verifying data against official regulatory publications. This systematic extraction and cleaning process transformed the disclosures into a structured dataset of independent and dependent variables, facilitating a robust longitudinal analysis of the relationship between governance attributes and financial performance.

3.3. Data Analysis and Presentation

The secondary data collected was analyzed using panel data regression analysis, descriptive statistics, and correlation analysis using R. Non-inclusion of the control variable is due to the fact that it does not contribute to the significance of the model. In support, a control variable is not necessarily required if the primary goal is to obtain unbiased and consistent estimates of the main explanatory variables, as panel data techniques such as fixed or random effects can sufficiently address unobserved heterogeneity, and empirical evidence shows that indiscriminate inclusion of controls may introduce multicollinearity or overfitting without improving model validity (Baltagi, 2008; Wooldridge, 2010). Additionally, to address any time-invariant variables within the panel data structure, fixed effect decomposition is employed to control for unobserved heterogeneity that could bias the results, ensuring robust and consistent estimations. The panel data regression models are specified as follows:

$$P_{it} = \beta_0 + \beta_1 S_{it} + \beta_2 D_{it} + \beta_3 M_{it} + u_{it} \tag{1}$$

Where: P= Financial Performance, S= Board Size, D = Board Gender Diversity, M = Board Meetings, t= Time Scope, i= Bank, β_0 = constant term, β_1 to β_3 = Coefficients of independent variables and ε = Error term.

4. Results

Regression analysis is a statistical method used to explore and quantify the relationships between variables, particularly to assess the effect of independent variables on a dependent variable. This study focuses on evaluating the effect of board characteristics, on financial performance among commercial banks in Tanzania, regression analysis served as a critical tool to measure and analyse these relationships.

Table 1. Regression Results.

Financial Performance	Coefficient	SE.	t	P>t	Confidence Interval	
Board Meetings	.004	.003	1.12	0.262	-.003	.011
Board Size	-.003	.007	-0.49	0.621	-.018	.011
Gender Diversity	.132	.059	2.27	0.023	.018	.248
Constant	-.068	.071	-0.97	0.334	-.206	.071
Wald (3)	7.05					
Prob > F	0.0704					
R-Square	0.0177					

Table .1 disclosed an intercept term, with a coefficient of -0.068 and a p-value of 0.334, which is negative and statistically insignificant. This implies that, in the absence of the included independent variables, financial performance would be negative, indicating potential losses. This baseline result underlines the importance of the regressors (board meetings, board size and board gender diversity) in driving positive financial outcomes.

5. Discussion

The research employed hypothesis testing to analyse regression results, exploring the impact of board characteristics, capital adequacy and their influence on the banks' financial performance in Tanzania. It assessed the significance and direction of relationships between the independent variables (board meetings, board size and board gender diversity), the interaction term (board characteristics $\times$ capital adequacy), relative to the dependent variable (financial performance). The hypothesis testing sought to establish whether these factors significantly affect financial performance. The findings' implications were evaluated by comparing them to previous findings to determine their points of convergence or divergence.

Frost (2012) noted that in fields studying human behaviour, R-squared values are often below 50% due to the inherent unpredictability of people. Therefore, even with a low R-squared, statistically significant coefficients still represent meaningful relationships between variables. Reinforcing this stand, Grace (2023) explained that a small R-squared does not negate the usefulness of a regression model hence, the low R-square in this study does not implicitly affect the outcome of the model as board gender diversity demonstrated significant effect on financial performance. The Wald chi-squared statistic of 7.05, with a p-value of 0.071 was attained indicating that the overall model is marginally significant at the 10% level. This suggests that at least one of the predictors has a notable relationship with financial performance, though the model as a whole explains only a small fraction of the variability.

Board meetings had a positive coefficient of 0.004 with an insignificant p-value of 0.262. This implies that for every additional board meeting, financial performance would increase by 0.004 units. The lack of statistical significance ($p > 0.05$) indicates that this effect is not significant. The magnitude of the coefficient is extremely small, suggesting that even if the effect were significant, board meetings practical impact on the financial performance would be insignificant. This may be attributed to fact that mere frequency of board meetings may not capture the quality or effectiveness of these meetings in influencing strategic decisions and performance outcomes. Board size exhibited a negative coefficient of -0.0036218 and an insignificant p-value of 0.621. This suggests that for every unit increase in board size, financial performance would decrease by 0.003 units. The high p-value indicates that this effect is not statistically significant, meaning the observed decrease is not reliably apparent from zero. The magnitude of the effect is also very small, and its lack of practical significance implies that board size does not have a visible or substantial impact on the bank's financial performance. This could be accredited to the fact that board size may be contingent on an optimal range, beyond which diminishing returns or inefficiencies emerge; thus, variations in board size within Tanzanian banks might fall within a non-critical range or be influenced by heterogeneous governance practices.

Board gender diversity showed a positive coefficient of 0.1328822 with a significant p-value of 0.023. This indicates that for every unit increase in board gender diversity, financial performance increases by 0.133 units, and this effect is statistically significant ($p < 0.05$). The magnitude of this coefficient is considerably larger than those of the other variables, suggesting a more substantial impact. This effect is not only statistically reliable but also practically significant, as an increase of 0.133 units in financial performance could represent a meaningful improvement in financial outcomes for commercial banks when gender diversity on boards is enhanced. These finding highlights board gender diversity as a key governance factor positively influencing financial performance in this context. This means that increasing board gender diversity could lead to meaningful improvements in the financial health of commercial banks, provided that the magnitude of its impact translates into economically significant gains within the specific performance context.

5.1. Effect of Board Meetings on Financial Performance

Concerning the influence of board meeting regulations on the financial performance of commercial banks in Tanzania, the results indicated a positive yet statistically insignificant effect.

Consequently, the null hypothesis that board meetings do not significantly affect financial performance was not rejected. The absence of statistical significance suggests that alterations in board meeting regulations do not substantially affect the profitability of these banks. This finding implies that board meeting regulations, as currently structured or measured, do not play a meaningful role in driving the financial performance of Tanzania's commercial banks. They may be attributed to the frequency or quality of board meetings that is not adequately captured by the regulatory variable, potentially masking their true impact if, for instance, meetings are infrequent or lack substantive decision-making authority. The outcomes agree with Al-Absy and Hasan (2023) who noted that board meetings had no significant effect on the financial performance of firms. The findings however conflicted with Fariha, Hossain, and Ghosh (2022); Kyei, Werner, and Appiah (2022) who revealed significant effect of board meetings on financial performance. The variation in findings arises from differences in contextual factors, such as the regulatory environment, industry characteristics, or firm-specific governance practices, which may influence the impact of board meetings on financial performance across different studies.

5.2. Effect of Board Size on Financial Performance

Regarding the influence of board size on the financial performance of Tanzanian commercial banks, the survey results indicated a negative but statistically insignificant effect. This finding supported the retention of the null hypothesis, which asserts that board size does not significantly impact the financial performance of these banks. This result implies that variations in board size do not meaningfully alter the financial performance of Tanzanian commercial banks. The outcome may be due to the measure of board size which might not reflect its functional effectiveness larger boards could lead to coordination challenges or diluted decision-making, but this may not be pronounced enough to yield a significant impact. Furthermore, confounding variables, such as board composition (e.g., diversity or expertise) or managerial competence might obscure the effect of size alone, reducing its explanatory power. The findings are consistent with Usman, Gurama, and Murtala (2020) who unveiled that board size had insignificant effect on business performance. These outcomes are inconsistent with Babatunde and Folorunsho (2020); and Ameen and Mustafa (2022) who all demonstrated that board size had significant effect on the performance of businesses. The divergence in results likely stems from contextual differences, such as variations in industry type, firm size, or governance structures, which may determine whether board size significantly influences business performance across different settings.

5.3. Effect Board Gender Diversity on the Financial Performance

With respect to the impact of board gender diversity on the financial performance of Tanzanian commercial banks, the survey results revealed a statistically significant positive effect. This finding prompted the rejection of the null hypothesis, which posited that board gender diversity significantly influences the banks' financial performance. This result implies that greater gender diversity on boards enhances the financial performance of Tanzanian commercial banks, suggesting that diverse perspectives contribute meaningfully to profitability. The outcome could be accredited to the fact that gender-diverse boards may bring varied viewpoints and problem-solving approaches, enhancing strategic decisions that positively affect the banks' financial performance. Also, the regulatory or societal pressures to promote gender equity could have amplified the effect, with banks benefiting from compliance through better reputation or talent retention. The significant effect of gender diversity aligns with Stakeholder Theory, as diverse boards enhance decision-making (Adams & Ferreira, 2009). The results are in conformity with the outcomes of Star (2022) demonstrated that gender diversity plays a notable role in influencing a business's performance. The outcome is at variance with the findings from Grace and Aiyenijo (2020); and Kazan (2022) displayed that gender diversity had no significant effect on the performance of businesses. The inconsistency in findings likely reflects differences in cultural norms, regulatory frameworks, or the extent of gender diversity implementation, which can shape its impact on business performance across diverse contexts.

6. Limitations and Suggestions for Future Research

This study contributes to knowledge by clarifying the governance-performance nexus in Tanzanian commercial banks, revealing that while board meetings and size have insignificant effects, board gender diversity significantly enhances profitability ($p=0.023$). The R-squared value of 0.0177 was determined revealing that only 1.77% of the variability in financial performance is explained by the board meetings, board size and board gender diversity in the model. This low explanatory power suggests that the model captures only a minimal portion of the factors influencing financial performance, indicating that other unobserved variables or external factors may play a more significant role. While a low R-squared does not necessarily invalidate the model, Ozili (2022) affirmed that in social science research, a low R-squared is acceptable, provided that some or most of the explanatory variables are statistically significant. While the low R-squared value is justifiably acceptable in social science research given the complexity of human behaviour, it nonetheless underscores a significant limitation in the model’s ability to explain the majority of variance in financial performance. This suggests that important factors influencing financial outcomes remain unaccounted for. Future research should consider incorporating additional variables such as macroeconomic indicators, firm-specific characteristics, risk management practices, and competitive dynamics to better capture the drivers of financial performance in Tanzanian commercial banks. These findings refine understanding by isolating gender diversity as a pivotal factor in an emerging market context, challenging traditional overemphasis on structural quotas and capital buffers. Theoretically, the research enriches agency and resource dependency theories by highlighting the role of diverse representation in resource provision and decision-making efficacy, providing a targeted framework for improving financial outcomes through diversity-focused policies.

Despite these insights, the study faces limitations such as a reliance on quantitative panel data, which may overlook qualitative dynamics like board meeting quality or interpersonal behaviours. The findings are specific to the Tanzanian banking sector, meaning caution is necessary when extending these conclusions to different institutional or cultural environments. The research addressed these constraints through robust statistical testing and diagnostic procedures, ensuring the results remain a reliable empirical foundation for the specific regulatory landscape of Tanzania.

Future research should employ qualitative or mixed-methods approaches to investigate why meeting frequency fails to drive performance, potentially focusing on agenda quality and decision implementation. Additionally, longitudinal designs could explore the “critical mass” effect of gender diversity to determine if specific thresholds further amplify profitability.

7. Conclusion

This study examined the effect of board characteristics on the financial performance of commercial banks in Tanzania, with a particular focus on board meeting frequency, board size, and board gender diversity. Drawing on a panel dataset spanning 2018 to 2024, the findings offer several important insights into the governance-performance relationship within an emerging market context. The results demonstrated that board meeting frequency and board size did not exert statistically significant effects on financial performance, leading to the retention of their respective null hypotheses. These findings suggest that, within the Tanzanian banking sector, neither the regularity of board meetings nor the number of directors on a board materially influences profitability. This underscores the possibility that structural governance attributes alone are insufficient drivers of financial outcomes, and that qualitative dimensions such as meeting effectiveness, board cohesion, and decision-making quality may carry greater practical importance.

In contrast, board gender diversity emerged as a statistically significant and positive determinant of financial performance, prompting the rejection of its null hypothesis. This finding affirms that greater representation of women on boards is associated with measurable improvements in bank profitability, consistent with stakeholder and resource dependency theories. Gender-diverse

boards appear to introduce varied perspectives that strengthen strategic oversight and enhance organisational decision-making. Overall, the study contributes empirical evidence to the corporate governance literature within sub-Saharan Africa, highlighting gender diversity as a pivotal governance lever. Policymakers, regulators, and bank management are encouraged to prioritise inclusive board composition as a means of fostering sustainable financial performance and long-term institutional resilience.

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