Journal of Research and Innovation for Sustainable Society (JRISS)
Volume 7, Issue 2, 2025
ISSN: 2668-0416
Thoth Publishing House

DOI: 10.33727/JRISS.2025.2.21:237-256

Board gender diversity and financial performance of state-owned enterprises in Zimbabwe

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Abstract. This study examines how board gender diversity influences the financial performance of state-owned enterprises (SOEs) in Zimbabwe while moderated by a firm specific attribute like age. Despite a growing body of literature on women's board representation in developing and emerging economies, studies specifically examining its implications for SOEs in Zimbabwe are scarce. The key theories relevant to the study included agency theory, stewardship theory, stakeholder theory, resource dependency theory, and upper echelons theory. To control potential confounding factors, several board characteristics were included as control variables, such as board size, the number of independent non-executive directors, and political interference. Additionally, two firm-specific characteristics, leverage and size, were incorporated. The study focused on 12 out of 29 for-profit SOEs and utilized a quantitative research design grounded in a positivist philosophy. Data analysis was conducted using SmartPLS Partial Least Squares Structural Equation Modeling. It was observed in the study that board gender diversity has a positive and direct influence on the financial performance of SOEs. Therefore, SOEs should strive to increase the number of female directors on their boards, recognizing the positive impact of gender diversity on productivity, creativity, and overall board effectiveness. The presence of women on boards enhances diversity and inclusivity in decision-making, resulting in better financial performance. The study recommends that female board members should be chosen based on merit rather than merely for feminist reasons.

Keywords: *Corporate governance, board gender diversity, financial performance, board of directors, firm age*

1. Introduction and background

There has been a growing push for more women on corporate boards in recent years. Due to the persistent underrepresentation of women in leadership positions, several countries have implemented gender quota laws (Halrynjo and Teigen, 2024). These legal measures require the appointment of qualified women directors to corporate boards, aiming to address the gender imbalance and promote diversity and inclusion in business (Reddy and Jadhav, 2019). Studies show that companies with female executives make better decisions, and their presence helps companies access a wider pool of talent, leading to better performance (Mckinsey, 2020; Al-Absy and Hasan, 2023). This movement gained momentum in the aftermath of corporate scandals and the 2008 financial crisis highlighted the need for more diverse perspectives in leadership (Hong *et al.*, 2020).

Two commonly cited metrics gauge women's representation on boards: the proportion of women holding board seats and the proportion of organizations with at least one woman on their board (Devnew, 2018). However, the implications of limited women in senior positions and the factors perpetuating gender inequality in boardrooms remain largely unexplored. This study aims to illuminate the relationship between board gender diversity and a company's financial performance. Return on assets (ROA) has been chosen as the proxy for financial performance due to its prominence in profitability analysis, particularly when considering assets (Cabral Lima da Costa *et al.*, 2019). Investors and accounting reports on profitability widely consider ROA as the most suitable metric for assessing an organization's financial performance (Galia *et al.*, 2017).

Global efforts to increase female representation on corporate boards align with the Hampton Alexander report, issued by the United Kingdom (UK) government in 2017, which set a target of 33% female leadership within FTSE100 companies (Alqatan, Chbib and Hussainey, 2019). To this end, several European Union (EU) countries have enacted legislative quotas requiring companies to appoint between 30% and 40% women to their boards (Brahma, 2021). In Malaysia, the government recently encouraged publicly listed companies to reach a similar goal, aiming for at least 30% female participation in decision-making processes (Long *et al.*, 2019), (Abdullah, Aziz and Azani, 2022). Kenya has had a constitutional provision since 2010 mandating a one-third female quota (Devnew, 2018). However, research suggests a potential downside to these quotas – the appointment of inexperienced women to meet the requirements, which may negatively affect financial performance (Bertrand *et al.*, 2019; Halrynjo and Teigen, 2024).

The impact of female directors on firm performance is still debated, despite growing literature and laws compelling organizations to include women on boards. Diverse societal norms, attitudes, and policies across nations shape conflicting findings on board diversity's impact (Ouni and Mansour, 2022). While diversity brings organizational benefits, its financial effects vary, necessitating nuanced research into gender diversity and corporate performance (Singh, 2020). There have been no concrete and consistent results on the impact of board gender diversity on firm performance, with some studies reporting a significant negative impact and others offering varying views. Studies by (Brahma, 2021), (Simionescu *et al.*, 2021), and (Hsu *et al.*, 2021) have found a positive correlation between board gender diversity and firm performance. Similarly, (Ouni and Mansour, 2022) found that gender diversity on boards enhances effectiveness and resources, leading to better financial performance. Additionally, a study by Kabir, Ikra and Saona (2023) examined UK financial institutions and found a positive relationship between board gender diversity and financial performance.

However, other studies have yielded conflicting results. In Japan, it was found that increasing the number of women on boards was negatively associated with company performance, particularly in smaller companies, those with more debt, and those in regulated and consumer-focused industries (Wang *et al.*, 2024). Similarly, Long *et al.* (2019) found that board gender diversity and independence harm firm performance in Bursa Malaysia companies.

A study examining whether the presence of women on corporate boards enhances company performance in the Netherlands and Denmark found no evidence supporting a link between board gender diversity and company performance (Marinova, Plantenga and Remery, 2016). Similarly, research on Vietnamese listed banks from 2014 to 2020 revealed no significant relationship between the number of female directors and bank performance (Hu, Gu and Chen, 2013). Additionally, a study focused on Indian automobile companies concluded that gender diversity, specifically the inclusion of women directors on boards, had no significant impact on financial performance (Kaur and Rana, 2022). Even though almost 40% of the boards have at least one woman, no such link was found in major United States corporations (Singh, 2022).

Although extensive global research on gender diversity in corporate boards exists, the specific impact of female directors on SOEs in Zimbabwe remains largely unstudied. Board gender diversity is

understudied, especially in developing nations (Groening, 2019), with existing research primarily focusing on developed economies like Spain, Germany, Canada, and the United States (Wasiuzzaman, Shaista Subramaniam, 2023). While Zimbabwe has shown commitment to increasing female representation in boardrooms through the Public Entities Corporate Governance (PECG) Act of 2018, the tangible effects of these efforts on SOEs' financial performance are yet to be fully analyzed. This study aims to address this gap by examining the relationship between board gender diversity and SOEs' financial performance in Zimbabwe. Additionally, the study investigates how firm age moderates the impact of gender diversity on financial performance within the Zimbabwean context.

1.1 Corporate governance practices in SOEs in Zimbabwe

Corporate governance within Zimbabwe's public sector is not a recent phenomenon. The Zimbabwe National Corporate Governance Code (ZIMCODE), enacted in 2015, introduced regulatory standards that were previously absent. SOEs have primarily struggled due to insufficient corporate governance frameworks compounded by excessive government interference (Sukmawati and Tarmizi, 2022). Since the inception of ZIMCODE in 2010, the persistent reluctance to fully implement corporate governance principles in SOEs indicates that self-regulation in the public sector, despite the provisions of the PECG Act, continues to encounter significant obstacles. Moreover, individuals who benefit from the existing corrupt arrangements are likely to resist reforms that threaten their vested interests (Chimbari, 2017).

The efficacy of corporate governance standards hinges heavily on the board of directors, whose primary duty is to oversee management and protect shareholder interests (Otaify, 2020; Varottil, 2021). Corporate governance not only safeguards the interests of stakeholders – including shareholders, executives, management, and the board itself – but also acts as a disciplinarian force for businesses (Raj, 2022). Corporate governance failures lead to crises such as the Asian financial crisis, highlighting the need for effective governance frameworks benefiting companies and economies (Jarbou, Abu-Serdaneh and Atmeh, 2018). Corporate governance strengthens a company's reputation, increases trust from investors and stakeholders, and makes businesses more competitive (CG Watch, 2018). To ensure fairness for all stakeholders, many countries have developed corporate governance codes encompassing social, economic, political, and religious considerations (Al-ahdal *et al.*, 2020).

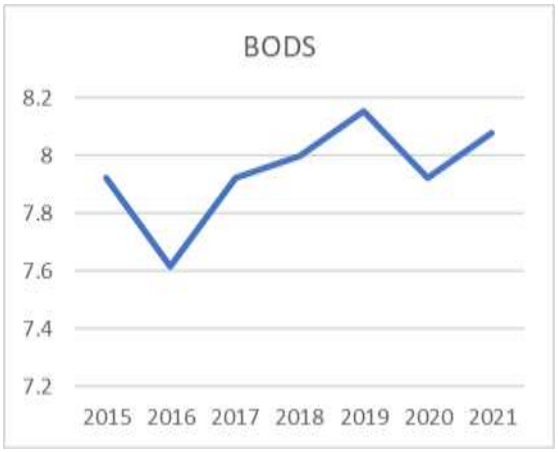
This study examines how board gender diversity influences the financial performance of SOEs in Zimbabwe. It analyzes the temporal evolution of board structure from 2015 to 2021, specifically examining control variables such as board size, independence, board gender diversity, and political interference. Since 2016, the number of board members in Zimbabwean SOEs has steadily risen, possibly in response to growing operational demands. This trend, aligned with research linking larger SOEs to larger boards, reflects flexibility within the PECG Act, which mandates a minimum of seven members and a maximum of 15 under the Companies and Business Entities Act. Panel A of Figure 2.1 depicts the evolution of board size from 2015 to 2021.

Figure 2.1 Panel B illustrates a declining percentage of independent non-executive directors on SOEs' boards in the 2015-2021 period. The decline from approximately 90% board independence in 2018 to around 83% in 2021 indicates a reversal of expectations following the PECG Act's implementation. This trend suggests SOEs are appointing civil servants or politically connected individuals, undermining the Act's intent for independent oversight.

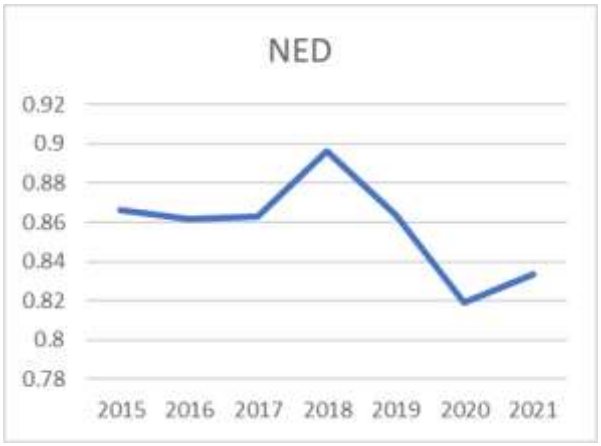
Panel C of Figure 2.1 illustrates a significant increase in board gender diversity from 2015 to 2021. The rise from about 29% in 2016 to nearly 35.5% in 2021 reflects increased lobbying for gender mainstreaming, bolstered by the PECG Act's 2018 implementation mandating gender balance on SOEs' boards. This shift marks a departure from male-dominated boards, highlighting the need for further study on its impact.

Panel D in Figure 2.1 illustrates a notable trend: political interference on SOEs' boards has steadily increased from approximately 28% in 2016 to nearly 35% in 2021, contrary to the principles of the PECG Act. Zimbabwe's economic difficulties and retired civil servants looking for financial stability after retirement are to blame for this increase.

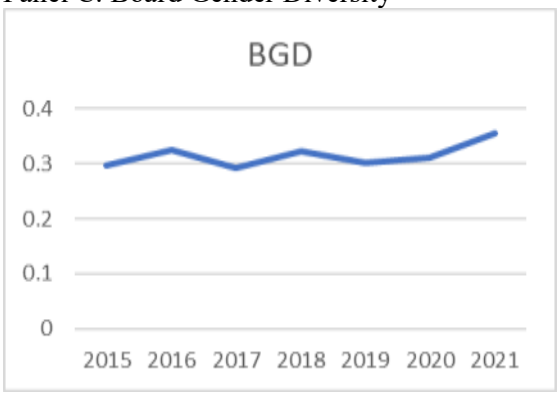
Panel A. Board Size



Panel B. Non-Executive Directors



Panel C. Board Gender Diversity



Panel D. Political Interference

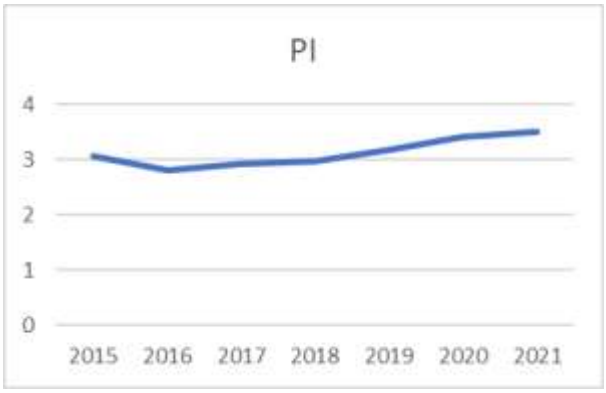


Figure 2.1 Trends in Corporate Governance Attributes 2015-2021 (Author Creation)

The sample consists of 84 firm-year observations for 12 SOEs from 2015 and 2021. Panel A, B, C, and D report, respectively, the trends in the average board size, the percentage of independent non-executive directors, board gender diversity, and the percentage of civil servants/retired civil servants and politically connected individuals (political interference).

The format of this paper is as follows: The literature on gender diversity on boards and financial performance is reviewed in Section 2. The data, methodology, and structural equation model used are described in Section 3. The results of the structural equation model are shown and examined in Section 4. Section 5 makes suggestions. Section 6 ends with a summary of the results, a discussion of the implications, and recommendations for further research.

3. Literature review

3.1 Theoretical underpinnings

The study is anchored on agency theory, stewardship theory, stakeholder theory, resource dependency and upper echelons theory.

3.2 Agency Theory

Agency theory examine conflicts between corporate leaders (agents) and shareholders (principals) due to differing interests, risk preferences, and information asymmetry (Panda and Leepsa, 2017). The theory discusses the separation of ownership and control, emphasizing potential exploitation of company resources by agents. Corporate governance principles aim to mitigate these issues, often by adding independent directors to boards for monitoring (Backhouse and Wickham, 2020). In SOEs, public choice theory suggests that government officials prioritize self-interest over efficiency, hindering organizational performance and broader public goals (Cabral Lima da Costa *et al.*, 2019). In light of this, a growing amount of research, when analyzed from an agency theoretical standpoint, increasingly points to board gender diversity as a potentially effective way to reduce these enduring conflicts of interest.

3.3 Stewardship Theory

Stewardship theory posits that managers act as stewards, prioritizing the owner's interests and aligning their objectives with those of the company (Keay, 2016). It suggests that in businesses where trust and alignment between managers and owners are strong, excessive monitoring and control mechanisms may be unnecessary (Nag and Chatterjee, 2020). Managers, deriving satisfaction from their roles, are motivated to conserve company resources (Alqatan, Chbib and Hussainey, 2019). Engaging managers in board procedures as executive directors can enhance shareholder dividends by aligning control with management's stewardship responsibilities (Riaz *et al.*, 2023). Therefore, the study seeks to determine whether the presence of women on boards fosters a deeper stewardship ethos by analyzing the degree to which they promote improved ethical governance and sustainable practices.

3.4 Stakeholder Theory

Stakeholder theory asserts that organizations have a responsibility to various stakeholder groups who can influence or be impacted by their decisions (Pasaribu, Masripah and Mindosa, 2019). Boards of directors must comprehensively consider the interests of stakeholders such as suppliers, employees, partners, investors, and others to make decisions that align with organizational goals and benefit all parties involved (Limbo, 2019). This approach emphasizes the importance of maintaining relationships and gathering input from diverse stakeholders to avoid biased or misguided decisions (Riaz *et al.*, 2023). By fostering trust and collaboration with stakeholders, organizations can enhance their overall effectiveness and sustainability in achieving long-term objectives (Pasaribu, Masripah and Mindosa, 2019). Gender diversity on boards strengthens stakeholder consideration by broadening perspectives, improving decision-making, and fostering sustainable value.

3.5 Resource Dependency Theory

The resource-dependence view suggests that corporate power stems from social connections and positioning (Pfeffer and Salancik, 1978). Modifications to board composition can consequently shape corporate policies in response to evolving circumstances (Bernile, Bhagwat and Yonker, 2018). Women on boards contribute to market and customer understanding (Hong *et al.*, 2020). Independent directors bring external resources like expertise and networks, enhancing firm success (Wang, Yao and Kang, 2019; Liu and Sun, 2021). Their diverse experiences benefit firms, yet their lack of insider information may constrain task performance effectiveness (Rashid, 2018). As a result, adding female directors broadens a

company's networks and experience while also enhancing its credibility and ability to attract outside funding, all of which contribute to improved organizational success.

3.6 The Upper Echelons Theory

Upper echelons theory, introduced by Hambrick, Mason and Mason (1984), suggests that top executives' decisions reflect personal interpretations shaped by experiences, values, and personalities. This theory acknowledges executives' bounded rationality, where limited understanding and biases influence organizational performance (Kuzman, 2018). It underscores studying the entire top management team to comprehensively explain outcomes, highlighting the collaborative nature of leadership (Long *et al.*, 2019). Research confirms that top management team composition and processes significantly impact organizational outcomes (Al-Homaidi *et al.*, 2019). While individual leaders are studied, examining executive groups provides deeper insights. Strategic actions are predicted by demographic factors such as education and functional background, but psychological processes are also very important (Al-Matari, 2022). Stronger governance, improved communication, and a range of viewpoints are some of the ways that diverse boards that include women enhance company performance.

3.7 Hypothesis development

3.7.1 Board gender diversity and firm performance

Females are placed at different status levels in different societies depending upon the norms values and ethical standards of a particular area (Khan and Abdul, 2019). The impact of female board members on corporate success is under examined in many European countries (Kılıç and Kuzey, 2016). The European Commission noted persistent low representation of women in decision-making roles in 2019, attributed to stereotypes of women as less assertive, risk-averse, and emotionally volatile (Williams, 2019). Countries like Mexico and Italy prioritize males for leadership, believing women lack ambition and assertiveness (Kabir, Ikra and Saona, 2023). In light of Hofstede's Power Distance, it is strategically imperative that women be included on African boards. Leadership may be isolated in many African societies due to their high power distance. By providing insights into local realities, female board members help close the gap between communities and boardrooms. They directly combat inequality by questioning established power structures, fostering consultation, and advancing inclusive growth. By bringing business strategies into line with diverse communities, legitimacy is increased and attention is drawn to sustainable development and stakeholder well-being. Boards become nimbler, responsive, and socially aware when women are integrated.

Directors manage finances and stakeholder interests (Ramasubramanian, 2021). Studies suggest that female directors make better decisions and are more attuned to stakeholders than male directors (Witra and Subriadi, 2023). Female directors in high power distance settings resist hierarchical directives (Salloum *et al.*, 2016). Increased female representation promotes decentralization, empowering women to challenge top-down instructions (Frisancho, Pappa and Santantonio, 2022).

Research findings on the impact of female board members vary: Strydom, Au Yong and Rankin (2017) found no influence on earnings quality but noted reduced stock price volatility in Australian firms with more female directors. Similarly, Pasaribu, Masripah and Mindosa (2019) found no significant relationship between board gender diversity and company performance in Danish and S&P 500 companies, respectively. Female directors' lack of expertise may contribute to negative performance outcomes (Tenuta and Cambrea, 2023). Furthermore, Akbar et al. (2016) contend that family ties might have a greater impact on the appointment of female directors than credentials and experience.

Board of directors' responsibilities extend beyond financial oversight to include diverse stakeholder interests (Ramasubramanian, 2021). Research suggests female directors often exhibit superior decision-making and greater sensitivity to stakeholders than male directors (Witra and Subriadi, 2023). Cultural dimensions, particularly power distance and masculinity-femininity, mediate the relationship between board gender diversity and firm performance. Despite the advocacy for diversity, its effectiveness can be limited by cultural norms. Alam (2018) found that organizational power distance influences managerial perceptions of gender roles, impacting female directors' contributions. High power distance, fostering power imbalances, can also encourage opportunistic behavior (Mellado and Saona, 2020).

The need for contextualized research is highlighted by the conflicting empirical evidence regarding the performance benefits of gender-diverse boards from Europe (low power distance) and Japan (high power distance, high masculinity). The influence of female directors on board dynamics in these settings is still poorly understood due to the high power distance that is common in many African societies. This justifies more research on gender, governance, and cultural context in African economies.

Based on the above conflicting arguments, the following hypothesis is postulated:

Hypothesis 1: *H1: Board gender diversity has a positive relationship with the financial performance of SOEs in Zimbabwe.*

3.7.2 The moderating role of firm age on the relationship between board diversity and financial performance

Scholarly interest in the moderating effect of firm age on the association between board diversity and performance has grown significantly. According to empirical data, the effects of gender diversity on boards vary significantly depending on a firm's stage of development rather than being consistent across organizational lifespans. By encouraging exploration-oriented activities, gender-diverse boards in younger companies promote innovation and growth (Singh and Sinha, 2023). This dynamic is especially important because new businesses have to deal with the "liabilities of newness," which include limited resources, a small market share, and undeveloped institutional structures (Lavie, Stettner and Tushman, 2010). Accordingly, gender diversity can accelerate early performance gains by increasing access to important networks and bolstering organizational legitimacy (Braun, 2018).

On the other hand, diversity becomes less important in well-established businesses in favor of exploitation tactics and the strengthening of governance systems (Singh and Sinha, 2023). In order to support risk management and sustainability results, mature organizations usually rely on institutional credibility, accumulated knowledge, and established procedures. The correlation between gender diversity and financial performance, specifically metrics like Return on Assets (ROA), is less clear, despite the fact that these benefits increase organizational resilience (Liu et al., 2023). In fact, as businesses get older, a focus on exploitation may stifle their ability to adapt, which would limit their opportunities for innovation and exploration. This implies that throughout the corporate life cycle, gender diversity offers unique types of strategic value.

Furthermore, although results are still up for debate, academic discourse recognizes that firm age independently affects performance. In addition to phenomena like survival bias and learning-curve effects, some studies highlight the advantages of maturity, pointing to benefits like economies of scale, improved equity, and decreased debt exposure (Coad et al., 2018; Mishra and Kapil, 2018). However, according to other researchers, aging firms often face structural "decay," organizational inertia, and declining adaptability, which result in slower growth trajectories and lower profitability (Loderer and Waelchli, 2011).

When these viewpoints are combined, it is clear that younger companies, where innovation and exploration are essential for survival and early growth, benefit the most from gender-diverse boards in terms of performance. On the other hand, older companies benefit from diversity more in the areas of sustainability and governance and have less correlation with financial results. We therefore postulate that the association between board gender diversity and financial performance is moderated by firm age. In particular, it is anticipated that the initial benefits of board gender diversity on financial outcomes will wane as organizations get older.

Based on the above arguments, the following hypothesis is postulated:

Hypothesis 2: *H2: Firm age negatively moderates the relationship between board gender diversity and the financial performance of SOEs in Zimbabwe*

4. Methodology

4.1 Philosophy, design and population

The study employed a positivist research philosophy, chosen for its suitability in measuring financial performance in SOEs'. It utilized a quantitative approach, gathering secondary data on various performance metrics. Out of 29 commercial SOEs, 12 were selected based on consistent financial reporting from 2015 to 2021 according to the office of the Auditor General's reports. Additional data were extracted directly from the annual reports of respective SOEs. This sample was chosen to ensure reliability and continuity in data availability, reflecting the study's focus on examining the long-term financial performance trends within these entities.

The panel data set is collected with 84 data points with time span from 2015 to 2021. The study utilized 12 participating SOEs with consistent and up-to-date financial statements spanning the 7-year period. Further, the researcher removed companies not having full data for all the relevant variables under study for those 7 years. Hence, we were left with 12 SOEs with 7-year data resulting in 84 data points. Secondary data analysis was employed due to its versatility and applicability in various contexts (Pederson *et al.*, 2020). Secondary data analysis involves utilizing existing data, integrating theoretical insights, and applying advanced analytical skills to address a research question (Johnston, Jones and Manley, 2018).

The sample composition of the SOEs which were surveyed comprised of SOEs in industries such as Aviation, Manufacturing, Postal Services, Transport and Logistics, Telecommunications, Timber, Transport, Energy, and Broadcasting Services. The financial reporting data covers the period from 2015 to 2021 and includes information from companies participating in various industries. For each of these industry categories, seven entries were recorded for the specified timeframe.

4.2.1 Financial performance

Maximizing shareholder profits hinges on effectively monitoring financial performance, indicating profitability, resource management, and leadership efficacy (Al-Absy and Hasan, 2023). A robust performance reflects the board's capability in addressing workplace challenges (Lin *et al.*, 2020). Return on assets (ROA) serves as a key metric for assessing financial success and is widely employed as a proxy for accounting-based performance measures (Cabral Lima da Costa *et al.*, 2019). ROA gauges how efficiently a company utilizes its assets to generate profit, making it a crucial indicator of overall business performance. ROA is ratio of profit before tax total assets (Arslan and Alqatan, 2020)

4.2.1 Board Gender Diversity and firm performance.

Board gender diversity is a crucial aspect of corporate governance proxy variables, aimed at enhancing board perspectives and company valuation (Khan and Abdul, 2019; Wondem, Batra and Singh Batra, 2019). In Nigeria, diversity in gender, nationality, and ethnicity positively impacts the value of financial services firms (Oyetunji, Shittu and Bello, 2023). The push for female representation, sparked by Norway's 2003 mandate, has spread across Europe, highlighting its global significance (Croci, 2018). Diverse boards, comprising individuals with varied backgrounds, ages, and expertise, are viewed as capable of making more strategic decisions that benefit both companies and the broader society (Hakovirta *et al.*, 2020). Research also supports the notion that board members' professional backgrounds, including academia, influence corporate performance positively (Francis, Hasan and Wu, 2014; Han, You and Jung, 2015; Tanikawa, Kim and Jung, 2017), aligning with the upper echelons theory.

4.2.3 Moderating of firm age on board diversity and firm performance.

This research investigates how gender diversity on company boards impacts firm performance, considering intervening factors like company age. In the case of mature organizations, the benefits of board diversity tend to align more with exploitation strategies (Singh and Sinha, 2023) and manifest more strongly in areas like governance, risk management, and sustainability outcomes. However, the direct positive link between board diversity and financial performance measures like ROA appears less pronounced in older firms (Liu et al., 2023). Established organizations often prioritize exploitation due to reliance on ingrained routines, accumulated knowledge, and external validation, which can sometimes hinder adaptation and exploration as they mature (Singh and Sinha, 2023). Older firms often face challenges such as reduced flexibility, slower growth, higher costs, and less investment in innovation (Loderer and Waelchli, 2011; Rossi, 2016). This "corporate aging" phenomenon is associated with resistance to change, reliance on outdated practices, and potentially lower governance quality (Coad *et al.*, 2018). As firms age, they may accumulate inefficiencies and struggle to compete with newer, more agile competitors, impacting their ability to adapt to market changes (Mahmood, Chung and Mitchell, 2017). The study aims to explore how these dynamics moderate the relationship between board gender diversity and company performance. Firm age is measured by the number of years since the company was incorporated (Huynh *et al.*, 2022).

4.2.4 Control variables

The strategic incorporation of control variables is a methodological imperative in Structural Equation Modeling (SEM), particularly when investigating complex organizational phenomena (Gudergan *et al.*, 2025) such as the relationship between board gender diversity and firm performance (Mishra and Kapil, 2018). Their use is not merely a statistical formality but a fundamental requirement for robust causal inference and theoretical clarity. In this study, the inclusion of board-level and firm-level controls is essential to mitigate the pervasive threat of omitted variable bias (Basuony *et al.*, 2023). Without controlling for alternative explanations, any estimated effect of gender diversity risks being spurious, reflecting the influence of these correlated factors rather than a genuine relationship.

The selection of specific controls—board size, proportion of non-executive directors, political interference, firm size, and financial leverage—is theoretically and empirically grounded. As highlighted by the cited literature (Kuzman, 2018; Mishra and Kapil, 2018; Arslan and Alqatan, 2020), each variable possesses a well-established relationship with financial performance. For instance, larger boards may experience coordination costs that hinder decision-making (Khan and Abdul, 2019), while high leverage imposes financial distress costs that directly impact profitability (Ramli, Latan and Solovida, 2019). In the unique context of Zimbabwean State-Owned Enterprises (SOEs), political interference is a particularly critical control variable. It represents a potent external force that can supersede internal governance

mechanisms, dictating strategic choices and resource allocation in ways that severely distort performance outcomes (Kaunda and Pelser, 2022). Failing to account for this would render any analysis of board composition incomplete and misleading.

Furthermore, within the SEM framework, control variables enhance the specification of the model by isolating the unique variance explained by the focal construct (Gudergan *et al.*, 2025)—board gender diversity. This allows for a more precise estimation of its direct effect on performance metrics, strengthening the validity of the path coefficients (Kline, 2023). By systematically holding these confounding factors constant, the research design moves closer to establishing internal validity, allowing the study to make a stronger claim about the specific influence of gender diversity. Ultimately, this rigorous approach ensures that the conclusions drawn about Zimbabwean SOEs are not artifacts of unmodeled heterogeneity but reflect a more authentic understanding of the governance-performance nexus. Table 4.2 illustrates the measurement of the variables.

Table 4.2 Measuring the Variables

Dependent Variable	**Acronym**	**Definition**
Return on assets	ROA	The ratio of profit before taxes to total assets (Khan, 2019)
Independent Variable		
Board Gender Diversity Ratio	BGDR	Percentage of female directors on the board to the total number on the board (Khan and Abdul, 2019)
Board-level Controls		Total number of board of directors present (Alabdullah *et al.*, 2021)
Board Size	BODS	The percentage of external NEDs sitting on the board to the total directors on the board (Khan, 2019)
Non-Executive Directors	NEDs	% civil service directors/retired bureaucrats from the public sector or politically connected/exposed directors divided by the total number of board (Kuzman, 2018); (Naz, Mirza and Lutfullah, 2022)
Political Interference	PI	
Firm-level Controls	SIZE	The natural log of the total assets of the company (Huynh *et al.*, 2022)
Firm Size	LEV	Total debt to the total assets (Khan, 2019; Huynh *et al.*, 2022)
Leverage		
Moderating Variable		The number of years since the company was incorporated (Huynh *et al.*, 2022)
Firm Age	AGE	

5.0 Data Analysis

A structural equation model (SEM) examined the relationship between board gender diversity ratio and financial performance in SOEs, considering three board control variables (board size, independent non-executive directors, and political interference) as well as firm-level control variables (size, leverage). Firm age was included as a moderating variable.

5.1 Results and Discussion

5.1.1 Sample

Panel data was used in the analysis of findings which covered a period of 7 years from 2015 to 2021 for 12 SOEs in Zimbabwe giving a total of 84 data points.

5.1.2 Descriptive statistics

This study provides descriptive statistics for all variables in a SEM model, including measures of central tendency, dispersion, and skewness, as shown in Table 5.1.

Table 5.1: Descriptive statistics

	Mean	Observed min	Observed max	Standard deviation	Number of observations used
ROA	0.029	-0.943	1.154	0.331	84.000
BODS	8.107	5.000	13.000	1.596	84.000
NED	0.858	0.600	1.143	0.060	84.000
PI	0.260	0.000	0.667	0.140	84.000
LEV	0.658	-0.905	2.078	0.535	84.000
SIZE	8.877	6.042	11.753	1.192	84.000
AGE	1.408	0.602	2.107	0.301	84.000
BGDR	0.315	0.000	0.857	0.144	84.000

As shown in Table 5.1 above, the minimum women representation in the boards is less than 1 in some boards whilst the maximum 3 per each board. The most notable observation here is that BGDR depends on the size of the board in most cases. Smaller boards also tend to have less female representation whilst larger boards also have more female representation. In a similar vein, the majority of businesses have nominated female directors, and each board typically consists of two female members. In terms of composition, a board typically has eight directors. This is consistent with research that determined that eight members is the ideal board size for a firm (Naciti, 2019).

5.1.3 Collinearity tests

Collinearity test was performed using the Variance Inflation Factor (VIF) to ensure data integrity. High VIF values indicate multicollinearity, where predictor variables are highly correlated, making it difficult to isolate their individual effects and leading to unstable model results. The potential solutions for handling multicollinearity, include removing or combining correlated predictors or using regularization techniques. Below is the collinearity score for all the variables in the SEM.

Table 4. 2 Collinearity Statistics (VIF)- Inner Model - List

	VIF
AGE	1.505
BGDR	1.400
BODS	1.392
LEV	1.029
NED	1.317
PI	1.593
SIZE	1.114
AGE x BGDR	1.985

The VIF scores in the table indicate a low level of multicollinearity among the variables as the values are below 2. VIF score exceeding 2.5 suggests substantial collinearity (Johnston, Jones and Manley, 2018).

5.3.2 Coefficient of Determination (R-Square)

The model has an R^2 score of 0.276 for return on assets, indicating a limited explanatory power (27.6%). R^2 values range from 0 to 1, with 0.75 considered substantial, 0.50 moderate, and 0.25 weak, respectively (Hair *et al.*, 2021). Despite the low R^2, it can still be acceptable in social science models, where precise

prediction is not always the primary goal (Ozili, no date). Instead, the focus is on identifying the influence of variables on the outcome and guiding further regression analysis.

1.3.3 F-Square

In structural models, multiple variables impact a single variable. Effect size (f^2) measures the change in the dependent variable's R^2 after removing an exogenous variable from the model: small (0.02), medium (0.15), large (0.35) (Cohen, 1992). Below are the f^2 effect sizes.

Table 4. 2 F-Square

	f-square	Effect
AGE -> ROA	0.032	Weak
BGDR -> ROA	0.121	Moderate
BODS -> ROA	0.081	Weak
LEV -> ROA	0.079	Weak
NED -> ROA	0.046	Weak
PI -> ROA	0.124	Moderate
SIZE -> ROA	0.000	Weak
AGE x BGDR -> ROA	0.029	Weak

The study found that BGDR and PI had medium effect sizes, meaning they had a moderate impact on the outcome. However, the other variables had small effect sizes, indicating a limited impact.

5.3 Structural Equal Model

Below is the structural equation model for the variables in the study. The structural equation model shows the direct relationship between the variables in question.

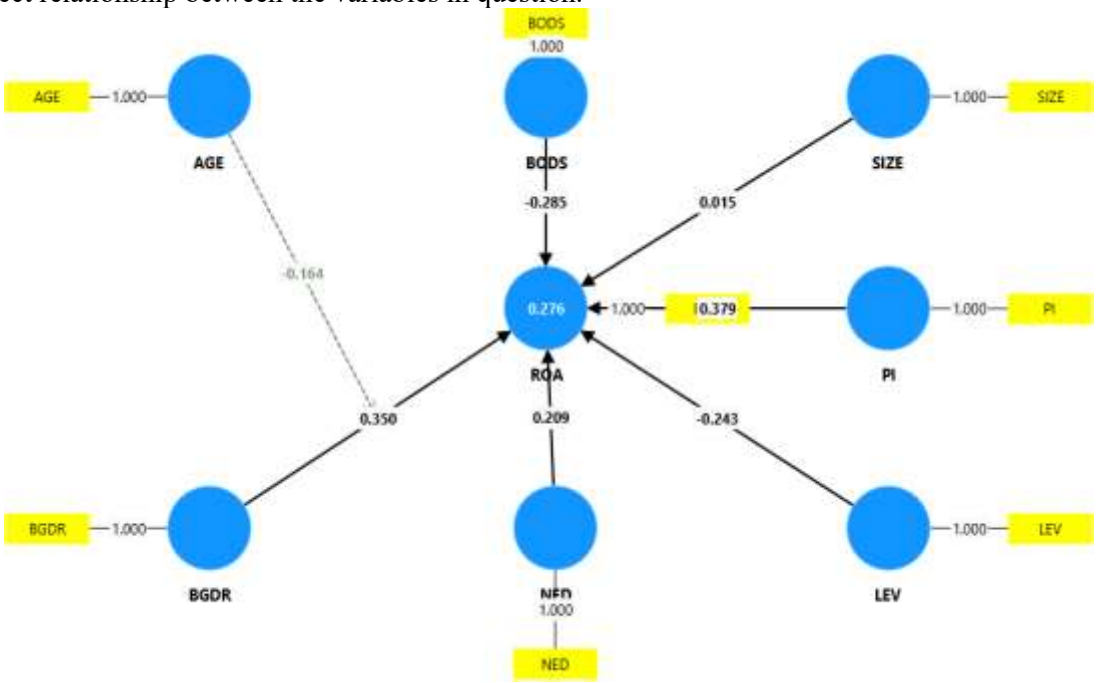


Table 4.6: Structural model for BGDR and financial performance of SOEs in Zimbabwe

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Decision
BGDR -> ROA	0.350	0.330	0.158	2.214**	0.027	Supported
BODS -> ROA	-0.285	-0.221	0.149	1.911***	0.056	Supported
NED -> ROA	0.209	0.164	0.155	1.350	0.177	Not Supported
PI -> ROA	0.379	0.357	0.135	2.795**	0.005	Supported
LEV -> ROA	-0.243	-0.279	0.120	2.026**	0.043	Supported
AGE -> ROA	-0.187	-0.158	0.086	2.175**	0.030	Supported
SIZE -> ROA	0.015	0.013	0.102	0.148	0.883	Not Supported
AGE x BGDR -> ROA	-0.164	-0.138	0.085	1.931***	0.053	Supported

** 5% significance level, *t*-values are greater than 1.960 ($p = 0.05$) ***10% significance level, *t*-values are greater than 1.645 ($p = 0.1$)

The results presented in Table 4.6 provide important insights into the relationship between board gender diversity and the financial performance of State-Owned Enterprises (SOEs). The findings suggest that greater gender diversity within boards is positively associated with financial outcomes. Specifically, the addition of a female board member improves financial performance by an estimated coefficient of 0.350. This reinforces the growing body of evidence highlighting the contribution of gender diversity to enhanced governance quality, decision-making, and organizational legitimacy.

The analysis further reveals that the presence of civil servants, retired civil servants, or politically connected individuals on boards is positively correlated with financial performance, with each such appointment increasing performance by 0.309. While this result may reflect the value of political capital and resource access, it also underscores the complex role of political influence in shaping SOE governance and outcomes.

Board size emerges as another significant determinant. Larger boards are negatively associated with performance, with each additional member reducing financial outcomes by 0.285. This finding aligns with prior literature suggesting that excessively large boards may suffer from coordination challenges, diluted accountability, and slower decision-making processes. By contrast, the presence of independent non-executive directors exerts a positive effect. Each additional independent member improves performance by 0.209, suggesting that independence enhances oversight, reduces agency costs, and strengthens monitoring capacity.

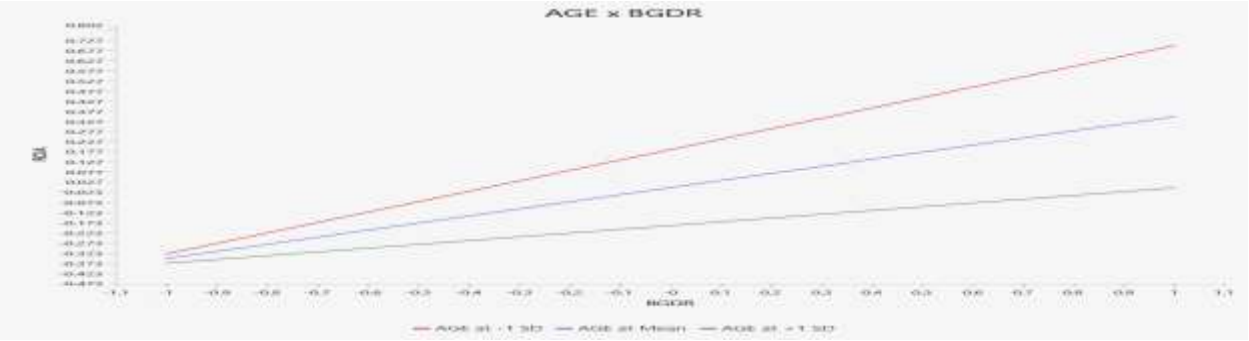
Financial structure and firm characteristics also play a notable role. Higher leverage is shown to reduce performance, with each incremental rise in gearing decreasing financial outcomes by 0.243. This points to the risks associated with excessive debt, particularly within SOEs that often operate under uncertain financial and political constraints. Firm size is also negatively associated with financial performance, though the effect is relatively modest, with a coefficient of –0.015. This outcome suggests that larger organizations may experience bureaucratic inefficiencies and declining marginal returns, which erode financial effectiveness over time.

Finally, the results indicate that the interaction between average board age and gender diversity exerts a negative influence on financial performance. This finding highlights the nuanced interplay between demographic characteristics, suggesting that the benefits of gender diversity may be attenuated when boards are composed predominantly of older members, possibly due to entrenched perspectives or limited adaptability.

Taken together, these results provide a comprehensive picture of the governance-performance nexus in Zimbabwean SOEs, underscoring the strategic significance of gender diversity, independence, board composition, and financial structure in shaping organizational outcomes.

Our findings support the hypothesis of a positive association between board gender diversity and firm performance. This study results support the findings of research conducted by (Simionescu *et al.*, 2021), (Wondem, Batra and Singh Batra, 2019), (Tenuta and Cambrea, 2023), (Terjesen, Couto and Francisco, 2016), (Li and Chen, 2018), (Brahma, 2021), (Abdullah, Aziz and Azani, 2022), (Groening, 2019). However, the study findings contradict (Kabir, Ikra and Saona, 2023), (Riaz *et al.*, 2023). The observed negative relationship between board size and firm performance, contradicts previous research (Abdullah, Aziz and Azani, 2022), (Kabir, Ikra and Saona, 2023), (Mishra and Kapil, 2018), (Riaz *et al.*, 2023) suggesting that larger boards may be beneficial. This discrepancy suggests that larger boards may be detrimental to firm performance, but further investigation is needed, acknowledging the diverse nature of industries within the economy.

Simple Slope Analysis



Firm age dampens the relationship between board gender diversity and SOEs financial performance in Zimbabwe.

6. Recommendations

The study's empirical results lead to specific recommendations for businesses looking to improve their financial performance. The need to actively encourage gender diversity on boards is the most important of these. This includes the deliberate appointment of women to boards, a practice that has been shown to be strongly associated with better financial results. At the same time, the study proposes that increasing the number of people on corporate boards who have substantial previous experience in the public sector or who have established institutional ties may improve financial performance by utilizing their distinct networks and insights.

Additionally, the board structure needs to be critically reevaluated. Deliberately reducing board scopes should be viewed as a strategic imperative, as there is a consistent negative correlation between larger board sizes and financial performance. By strategically adding truly independent people, non-executive directors' independence must be greatly increased in order to further optimize corporate

governance. This will guarantee strong oversight and unbiased decision-making that improves financial performance.

Prudent financial management demands strict control over financial leverage and careful monitoring, in addition to governance structural considerations. This study's empirical data shows a significant negative correlation between high debt levels and an organization's financial performance, highlighting the need for a cautious capital structure strategy. In a similar vein, ongoing assessment of the impact of firm size on financial performance is necessary. To guarantee continued profitability, strategies to mitigate any negative effects linked to particular firm dimensions should be carefully created and put into action.

Lastly, a multifaceted strategic approach is crucial given the unique operational environment of Zimbabwe's SOEs, especially in view of the noted attenuating effect of firm age on the beneficial impact of board gender diversity. This all-encompassing strategy necessitates a focused effort on asset modernization and upgrading, more funding for R&D, significant gains in operational effectiveness, and the proactive establishment of strategic alliances. For these specialized entities to improve their financial performance holistically, these integrated initiatives are essential.

7. Conclusions

This study investigates the connection between financial performance, as determined by return on assets (ROA), and board gender diversity in Zimbabwe's state-owned enterprises (SOEs). This study stands out for examining firm age as a moderating factor in the relationship between diversity and financial performance. According to empirical findings, gender-diverse boards and financial outcomes among Zimbabwean state entities are significantly positively correlated.

The results highlight a number of crucial governance requirements, including the need to maximize board size, reduce political meddling, and increase gender representation in order to improve financial performance. Robust governance is further enhanced by carefully controlling financial leverage and bolstering the independence of non-executive directors. These effects can also be strengthened by tackling organizational aging issues through asset modernization, more R&D, improved operational efficiency, and strategic alliances.

The importance of gender diversity goes beyond symbolic representation; it is essential for promoting organizational resilience, innovation, and effective governance. In competitive settings, these qualities are essential for managing economic volatility and ensuring long-term growth. Therefore, rather than being a simple political correctness ploy, the appointment of women to corporate boards is a strategic business decision.

This study clarifies the observable effect of board gender diversity on financial performance, which has important ramifications for investors, academics, and policymakers. It adds to more general discussions about sustainable development and corporate governance in emerging economies.

8. Acknowledgements

The researchers gratefully acknowledge the support and contributions that made this research possible. We extend our appreciation to the participants and organizations involved in providing data and insights crucial to this research. Additionally, we thank our colleagues for their assistance and feedback, which greatly enriched the study.

9. Declaration of Competing Interests

The authors hereby confirm that they have no known financial conflicts of interest or personal relationships that could potentially influence this work.

10. Funding
The author(s) did not receive any financial support for the research, authorship, and/or publication of this article.

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